

AR29

Brascan
LIMITED

61st Annual Report 1973

Directors

HERMANN J. ABS/*Frankfurt on Main*
Chairman, Deutsche Bank AG
J. H. A'COURT/*Toronto*
SENIOR FINANCIAL CONSULTANT
to the Company
PIERRE ANSIAUX/*Brussels*
Member of the Bar of the Supreme Court
of Belgium
THIERRY BARBEY/*Geneva*
Managing Partner, Lombard, Odier & Cie
*HENRY BORDEN/*Toronto*
Company Director
PAUL G. DESMARAIS/*Montreal*
Chairman, Power Corporation of Canada,
Limited
*E. C. FREEMAN-ATTWOOD
VICE-PRESIDENT, FINANCE
JOHN F. GALLAGHER/*Chicago*
Vice-President, International Operations,
Sears, Roebuck and Co.
ANTONIO GALLOTTI/*Rio de Janeiro*
VICE-PRESIDENT; President, Light-
Serviços de Eletricidade S.A.
J. PETER GRACE/*New York*
Chairman and Chief Executive Officer,
W. R. Grace & Co.

*Member of the Executive Committee

LEWIS B. HARDER/*New York*
Chairman,
International Mining Corporation
N. E. HARDY/*London, Ontario*
Vice-Chairman of the Board,
John Labatt Limited
LOUIS A.-LAPOINTE/*Montreal*
Chairman and President,
Miron Company Ltd.
R. F. LEWARNE/*Toronto*
VICE-PRESIDENT
A. J. LITTLE/*Toronto*
Company Director
A. J. MacINTOSH/*Toronto*
Partner, Blake, Cassels & Graydon
*PAUL E. MANHEIM/*New York*
Limited Partner, Lehman Brothers
WILLIAM J. MANNING/*New York*
Partner, Simpson Thacher & Bartlett
*BEVERLEY MATTHEWS/*Toronto*
Partner, McCarthy & McCarthy
WILLIAM G. MEESE/*Detroit*
President and Chief Executive Officer,
The Detroit Edison Company

*J. H. MOORE/*London, Ontario*
PRESIDENT
JOHN G. PHILLIMORE/*London*
Company Director

Honorary Director

W. C. HARRIS/*Toronto*

Officers

J. H. MOORE/*President*
ANTONIO GALLOTTI/*Vice-President*
E. C. FREEMAN-ATTWOOD/*Vice-President, Finance*
A. W. FARMILO/*Vice-President*
R. F. LEWARNE/*Vice-President*
L. B. LEEMING/*Vice-President*
R. R. SUTHERLAND/*Assistant Vice-President, Finance*
L. A. ALLEN/*Secretary*
R. H. ELDRIDGE/*Treasurer*
B. M. HOWARD/*Comptroller*

As at March 26, 1974

Light-Serviços de Eletricidade S.A.

Directors

ANTONIO GALLOTTI/*President*
J. J. MARQUES FILHO/*Vice-President*
J. S. FREITAS/*Vice-President*
ALEXANDRE HENRIQUES LEAL/
Vice-President
ALBERTO DO AMARAL OSÓRIO/
Vice-President
R. E. SPENCE/*Vice-President*
RUY BESSONE P. CORRÊA
W. J. CROCKER
JOSÉ DE NAZARÉ TEIXEIRA DIAS
JOSÉ RUBEM FONSECA
LUIZ TEIXEIRA ALVES DE LIMA
TULLIO ROMANO CORDEIRO DE MELLO
J. S. MONTEIRO
CAIO TÁCITO VASCONCELLOS
ROBERT WILSON

Great Lakes Power Corporation Limited

Directors

J. H. MOORE/*Chairman of the Board*
R. F. LEWARNE/*President*
W. M. HOGG/*Vice-President*
A. W. FARMILO/*Vice-President*
ROSS DUNN
E. C. FREEMAN-ATTWOOD
L. B. LEEMING
B. B. LOCKWOOD
R. R. SUTHERLAND

**Brascan Financial Services and
Investment Group in Brazil**

ANTONIO GALLOTTI/*President*
ROBERTO PAULO CEZAR DE ANDRADE
A. T. COUSINS
PEDRO LEITÃO DA CUNHA
JOÃO PINTO DA CUNHA SAAVEDRA
R. E. SPENCE
J. E. WILLIAMS

Transfer Agents

National Trust Company, Limited
*Toronto, Montreal, Vancouver, Calgary,
Winnipeg and Halifax*
First National City Bank
New York

Registrars

Canadian Imperial Bank of Commerce
*Toronto, Montreal, Vancouver, Calgary,
Winnipeg and Halifax*
Bankers Trust Company
New York

Annual and Special General Meeting

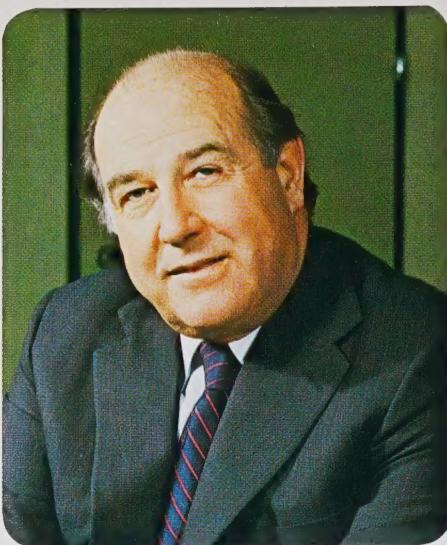
The annual and special general meeting of the
shareholders will be held at the Royal York
Hotel, Toronto, on Tuesday, June 4, 1974
at 11 o'clock in the morning.

	1973*	1972*
	\$ millions	\$ millions
Financial Highlights		
Net income	128.5	97.4
Long-term debt and bank indebtedness	195.4	87.0
Shareholders' equity	918.4	815.5
Total cash dividends paid	25.6	24.4
Ordinary shares outstanding (average)	25,612,695	25,611,902
Per ordinary share :		
Net income	\$ 5.02	\$ 3.80
Shareholders' equity	\$35.86	\$31.83
Cash dividends	\$ 1.00	\$ 1.00
Stock dividend		10%
	\$ millions	\$ millions
Brazilian Electric Utility Highlights		
Operating revenues	625.4	518.2
Net income	107.0	87.1
Property, plant and equipment at cost	1,331.6	1,200.5
Capital expenditures	123.2	98.7
Kilowatt-hours sold in millions	24,957	22,402

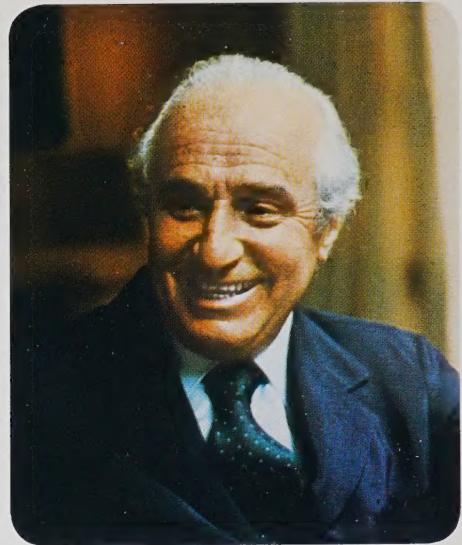
*Dollar amounts expressed in U.S. currency

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*J. H. Moore,
President of Brascan Limited.*



*Antonio Gallotti,
Vice-President of Brascan and
President of Light.*

Directors' Report

Continued growth of the Brazilian and Canadian economies during 1973 proved favourable for the Company's progress both in terms of financial results and of the expansion of the Company's investment programs in both countries. The consolidated net income for 1973 amounted to \$104.0 million* (\$4.06 per ordinary share), before gains on exchange of \$24.5 million (\$0.96 per ordinary share). This compares with \$90.6 million (\$3.54 per ordinary share) for 1972 before gains on exchange of \$6.8 million (\$0.26 per ordinary share). The increased earnings are attributable to higher net utility income and improved results from investment and industrial operations.

Mention was made in last year's annual report of our transition from being a company almost exclusively involved in Brazilian utility operations to one with a broad range of interests in both Brazil and Canada. Areas of investment activity were broadly defined as:

— operation of electric power utilities in Brazil and Canada;

* *Dollar figures throughout this report are expressed in U.S. dollars except where otherwise indicated.*

- production and distribution of consumer goods and services, particularly foods and beverages, in Brazil and Canada;*
- natural resource development in Brazil and Canada;*
- development of tourism and real estate in Brazil;*
- financial services and trading in Brazil, Canada and elsewhere in the world.*

During 1973 the Company continued to pursue these objectives, with the concomitant aims of strengthening and broadening the investment programs in Brazil and Canada to achieve a better balance between asset values and earnings within Brazil and of assets and earnings between Brazil and Canada.

In accordance with these guidelines, two major Canadian acquisitions were made during the year: Great Lakes Power Corporation Limited of Sault Ste. Marie, Ontario, and, through Brascan Resources Limited, Western Minerals Ltd. of Calgary, Alberta.

Subsequent to the acquisition of Great Lakes Power Corporation, that company took over substantially all of

Brascan's Canadian investment activities and assets. Great Lakes Power Corporation will undertake the management and future development of the Canadian investment program, and this will permit a clearer definition and coordination of this program.

The acquisition of Western Minerals is a further step in Brascan's natural resources activities. Developing the full potential of a balanced natural resources program does, in the normal course of events, take some years. Exploration, building up of reserves and, equally important, development of a qualified organization to carry out the program is time-consuming. For the past several years Brascan Resources has been going through the exploratory and developmental phases; we are pleased to report that good progress has been made in building an effective management team in the natural resources area, and in the development of reserves of oil, gas and minerals to support a long-term program.

Light

Our principal investment continues to be Light-Serviços de Eletricidade S.A., the Brazilian electric utility subsidiary. Significant progress was made by that company in meeting the demand resulting from the rapid growth in the number of consumers in its concession area, together with improvement in quality of service. Although Light still operates its own generating facilities, some 61.7% of its energy requirements during 1973 was purchased from Government-owned generating systems. The demands of the company's distribution area are currently being updated, and at present call for a capital expenditure program for the 1974-1978 period in excess of \$1.2 billion. Light, supported by Brascan, has planned to meet the challenge implied in the size of this capital program and it is expected that the major portion of these expenditures will be financed out of reinvestment of retained earnings of Light and the investment of other Brascan cruzeiro funds. Approximately 25% of the expected capital expenditures will have to be found from outside borrowings.

In generating and distributing power, Light operates under the same regulations as all other Brazilian electric companies, whether privately or Government-owned. Mention should be made of the impressive achieve-

ments of the Brazilian Government in development of new hydro-electric sources which the country's fast-growing economy requires. The Itaipu project merits special comment. This development on the Paraná River lies on the Brazil-Paraguay border and, when completed, will have a capacity of 11.7 million kilowatts and will be the largest power development in the world. It is planned to begin generation in 1982.

Board of Directors—Light

In April, 1974 Dr. Antonio Gallotti will retire as President of Light. Dr. Gallotti has held the post of chief executive of Light during the past 17 years of constant change and growth. In 1933, already known as a distinguished lawyer, he joined the legal department of Light. His contribution to the Company during this 41-year period can hardly be overstated, particularly the leadership he provided during the past decade in meeting the fast-escalating demand for electricity, while at the same time launching the Company's diversified Brazilian investment program. The success of both these major undertakings and the regard in which he is held in both the Brazilian and international communities and, most important, by those in the employ of Light, is a tribute to his executive capacity, his imagination and his humanity. This esteem was made evident when in August the magazine *Visão* selected him as "Man of Vision" of 1973, an award presented annually to an outstanding Brazilian leader. Later in the year he also received an award from the National Federation of Commerce and the National Trade School Service as the most distinguished businessman in Brazil.

I am happy to report that although Dr. Gallotti will now relinquish his responsibilities as chief executive and operating officer of Light, he will continue his association with Brascan, exercising supervision over all our investments in Brazil. He will undertake this new role as President of Brasnac-Administração e Representações Limitada, which will become the Company's overall investment management corporation in Brazil.

In May, 1974 Dr. J. S. Freitas retires as Vice-President of Light. Dr. Freitas joined the company in 1931, and for more than 16 years he has carried the heavy responsibility of directing the company's technical operations.

The expansion and improvement in service to Light's customers must in large measure be attributed to his efforts. The Directors extend their appreciation of his many outstanding contributions over the years.

Board of Directors—Brascan

Dr. Hermann J. Abs, having reached retirement age, will not be standing for re-election at the Annual Meeting. In February, 1974 the Board also accepted with regret the retirement of Mr. Neil J. McKinnon. Our gratitude is due to these two men, each distinguished in his own field, who provided wise and experienced guidance to the Company over many years.

In February, 1974 Mr. A. J. Little was appointed to the Board. Mr. Little was formerly a senior partner of Clarkson, Gordon & Co. and is a director of a number of prominent Canadian corporations.

Executive Appointments

Mr. Lloyd B. Leeming was appointed a Vice-President, with special responsibilities in the field of corporate affairs. Mr. R. R. Sutherland was appointed Assistant Vice-President, Finance. Mr. B. M. Howard was named Comptroller and Mr. R. H. Eldridge, Treasurer.

Management and Staff

The success enjoyed by the Company during the past year must be attributed in large measure to the ability, dedication and loyalty of the Company's management and staff, both in Brazil and Canada. To them, on behalf of the Directors, I extend our sincere appreciation.

On behalf of the
Board of Directors



March 26, 1974.

J. H. Moore
President

Review of Economic Developments in 1973

World

Most countries in both the developed and the developing world participated in a strong upward surge in the production of raw materials and of manufactured goods in 1973. The terms of international trade shifted strongly in favour of the food, raw materials and metal-mining countries and against the products of industrial countries which depend on the processing and export of manufactured goods. The physical limits of productive capacity were reached in many countries, and scarcities developed under the conditions of strong market demand. The combined effects of demand and abundant credit supply set into motion a sharp price inflation in base metals, minerals, foods and natural resource products. Large shifts were taking place in international foreign exchange reserves prior to the outbreak of the Arab-Israeli War and the ensuing high prices on crude petroleum exports. Adjustment to the unusually high prices of crude petroleum has placed a heavy strain on the industrialized countries and on the large number of developing countries dependent on imported oil. Until some relief comes by way of lower and stable prices, the outlook is uncertain.

Canada

The Canadian economy, with its strong base in forestry and metal products, grains and energy, showed a Gross National Product growth of 6.8% in physical volume and 14% in current dollars. The index of industrial production rose by 8.3%. Both the imports and exports of commodities in terms of value rose by close to 25%, and Canadian productive capacity operated at virtually full utilization, but at less than the full employment level. The pace of inflation increased, from both internal and external pressures, while the foreign exchange value of the Canadian dollar continued strong. Although many companies approved plans for capital investment, their initiation is subject to more than the usual uncertainties relating to energy prices and policies, international markets and inflation.

Brazil

The Brazilian economy continued its high rate of growth in production. Official sources estimate that the Gross Domestic Product rose by 11.4%, the highest rate of growth in its history and probably the highest in the world. Between 1968-1973 the GDP rose by 63%, with the annual growth rate

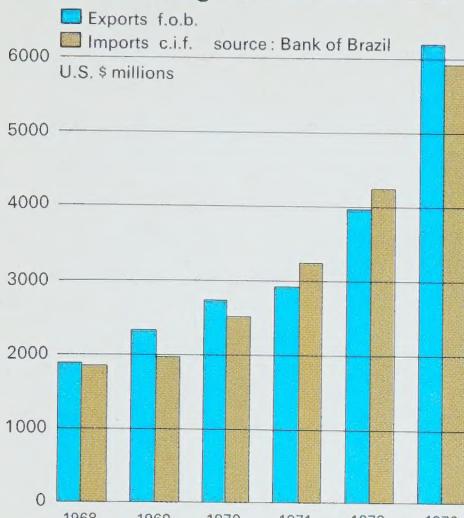
never falling below 9%. The increase in the consumer price index was 13.7%, compared to 14.0% in 1972, while wholesale prices rose by 15.5%.

In order to maintain the strong growth trend, the Government made a steady effort to facilitate the expansion and modernization of industrial capacity. Incentives to export were extended, while the internal market continued to grow. To avoid the problem of scarcity of raw materials and industrial materials for domestic industry, a number of export controls were instituted. The national highways construction program and the search for minerals were accelerated. The continued improvement in the living standards of the people was indicated by the strong sales of consumer durables and household equipment. The fiscal authorities, in applying monetary correction to personal savings deposits and to the legal minimum wage, extended a protection to individuals roughly in line with the rise in the cost-of-living index.

Production

Overall industrial production increased by 15% in 1973, with strong growth in the automotive, electrical machinery, cement and textiles industries. Auto-

Brazilian Foreign Trade 1968-1973



Principal Exports

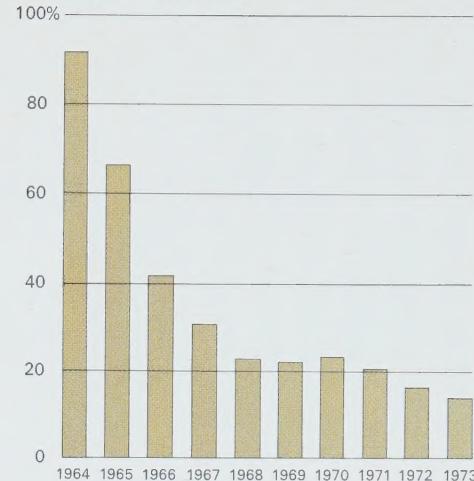
value expressed in millions of dollars

	1965	1970	1971	1972	1973	Percentage increase '65-'73
Manufactured Goods	110	622	822	1,222	1,703	1,448.2%
Coffee beans	707	939	772	989	1,243	75.8
Soluble Coffee	nil	43	50	68	99	-
Soybeans	7	27	24	127	494	6,957.1
Raw Sugar	57	127	147	314	455	698.2
Iron Ore	103	209	237	232	363	252.4
Raw Cotton	96	154	137	189	201	109.4
Meats	24	82	99	169	149	520.8
All Exports	1,595	2,739	2,904	3,991	6,198	288.6%

(Based on figures supplied by Bank of Brazil.)
(1973 figures estimated.)

Cost of Living 1964-1973

Annual percentage increase in State of Guanabara



mobile production reached 729,135 units, an increase of 19.7%. Steel production rose 9.7% to 7.1 million tons. Agricultural production rose by about 3.5%. Larger crops of wheat, soybeans, rice and sugar were harvested, offset in part by lower output of coffee, cotton and beans. Higher support prices have been established for 1974-1975 to encourage increased production of beans, cotton, peanuts and corn. Assuming satisfactory production and continued strong world demand, Brazil can expect to maintain its escalating exports of agricultural products.

Monetary Policy and Inflation

The Government continued its anti-inflationary measures by the use of rediscount facilities, open market operations, compulsory reserves and price controls over sensitive items to combat inflation while maintaining strong real growth. It was a year of heavy capital imports and large investment in Brazil. To manage the flow of private capital from abroad, the National Monetary Council temporarily imposed a compulsory deposit of 40% on such funds. This deposit requirement was subsequently removed. Some controls were extended over the export

of food items in order to restrain price rises on the home market.

Capital Market

The Brazilian capital market developed very differently for the fixed and the variable income securities. The market for equity investments showed a weak performance, remaining sluggish or in decline throughout most of the year. Fixed income securities, by contrast, showed strength in all market sectors. Although there was no lack of resources in the national financial system, there was a lower level of confidence in stock purchase and a slow turnover of equities in the leading stock exchanges. A number of incentives were made available in August to encourage individuals to invest in new stocks, debentures, mutual funds and real estate. The financing of business, in the conditions of 1973, relied heavily on short- and medium-term bank loans and debenture issues.

Foreign Trade and the Balance of Payments

Brazilian exports in 1973 rose by 53% to \$6.2 billion, with gains extending over a wide front, particularly in manufactured goods. High world prices and increased volume of exports

account for the larger returns from coffee, soybeans, sugar and cocoa. The value of manufactured exports rose by 65%, as Brazil's products broadened their place in world markets.

Imports also rose, notably in capital equipment, non-ferrous metals, chemicals, crude petroleum and wheat. The commodity balance of international trade showed a slight surplus. The heavy capital inflow was the dominant influence in raising the level of foreign exchange reserves from \$4.2 billion at the end of 1972 to \$6.3 billion at the end of 1973.

Outlook for 1974

The broad policy objectives of the Government continue to seek a real economic growth of around 10%, the holding of inflation to the 1973 level or less, and a further export increase of 20%. This will require a continuation of the strong capital investment trends of recent years, with new private capital and reinvestment playing a large role. The realization of these objectives is dependent on a return to more normal trade and capital market conditions in the industrialized countries, and a resolution of the petroleum price and supply problems.

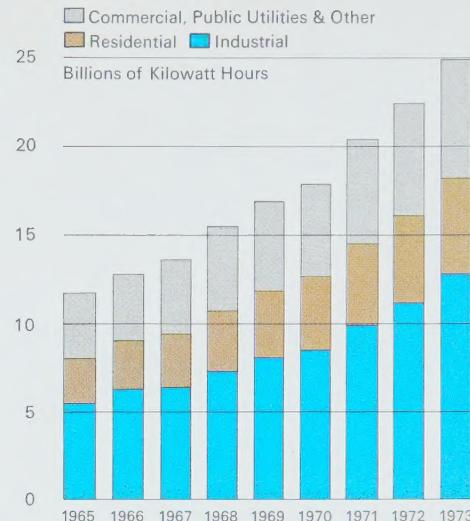
Analysis of Consolidated Income by Currencies

(Expressed in thousands of United States dollars)

Expressed in thousands of United States dollars)

*Based on the average number of shares (Class A and Class B) outstanding for the year (1973—25,612,695; 1972—25,611,902).

Electric Energy Sold



Review of Operations 1973*

Earnings

Consolidated net income for 1973 amounted to \$104.0 million (\$4.06 per ordinary share), before gains on exchange of \$24.5 million (\$0.96 per ordinary share). This compares with \$90.6 million (\$3.54 per ordinary share) for 1972 before gains on exchange of \$6.8 million (\$0.26 per ordinary share). During the year the Company received all dollar amounts from Brazil to which it was entitled under the legislation governing remittances from that country.

The contribution to consolidated income by sources and currencies is summarized on page 6, and the Corporate Structure chart is on page 13. The components of income (i.e. electric utilities, financial services and trading, natural resources, etc.) are reviewed and discussed in the sections which follow.

Electric Utilities

Brazil

Net electric utility income of Light increased by \$19.9 million from the \$87.1 million reported in 1972 to

\$107.0 million in 1973. Net electric utility income of Light is made up as follows:

	\$ millions	
	1973	1972
Electric utility income . . .	\$ 90.1	\$ 81.7
Foreign exchange adjustments† . .	16.9	5.4
	<u>\$107.0</u>	<u>\$ 87.1</u>

The major components of the increase are as follows:

	\$ millions
Increase in allowable remuneration due to growth in rate base	18.1
Variation on translation of recoverable items into dollars	1.8
Increase (net) in other expenses not recoverable in rates	(3.4)
Interest expense (net)	2.3
Equity of minority shareholders	(5.5)
Income and withholding taxes	(4.9)
Foreign exchange adjustments	11.5
	<u>\$19.9</u>

†See detailed comments on page 12.

The Company received \$23.7 million from Light in dollars in 1973 on account of income, an increase of 10.9% from the \$21.4 million received in 1972. These moneys represent mainly the net tax-paid dividends and interest income received from the electric utility.

Light sold close to 48% of the total electric energy consumed in Brazil in 1973, and maintained its position as the largest power-distributing company in the country. Over 24.9 billion kilowatt hours of electricity were sold, an increase of 11.4% over the 22.4 billion kilowatt hours recorded in 1972. Industrial consumption increased by 14.7% during the year, accounting for almost 64% of the total kilowatt hours increase, and represented over 51% of all sales in 1973. During the past five years the industrial component has grown at a compound annual growth rate of 12.2%.

Residential sales rose by 9.4% to over 5.4 billion kilowatt hours, while commercial sales experienced an 11.1% increase to 4.1 billion kilowatt hours.

By year-end Light was serving 3.7 million customers (3.5 million in 1972), and the peak load for the

*The Company's financial statements are expressed in United States currency and all references to dollars in this Review are to United States dollars unless otherwise indicated.

system reached 4,877.5 megawatts in December, an increase of 11.7% over the previous year's peak.

Light has not increased its generating capacity since 1963, when it accounted for almost 37% of the installed capacity in Brazil. Since that time the Government has assumed responsibility for new generating facilities. Total national generating capacity increased from 6,355 megawatts in 1963 to 15,763 megawatts in 1973, an increase of 148%.

It is anticipated that installed generating capacity will increase a further 50% to 23,573 megawatts by the end of 1976. The foresight and planning of the Brazilian Government in its program of developing generating capacity assures that the electric utility companies will have sources available to meet the anticipated demand for electricity.

Over the years Light has been purchasing an ever-increasing proportion of its energy requirements from the Government-owned utilities (61.7% in 1973) and has been concentrating its capital expenditure programs on the installation of distribution and transmission equipment and facilities.

In 1972 Light embarked on a five-year capital expenditure program which placed a strong emphasis on improving the quality of service while meeting the demands of growth. Light's investment in new plant and equipment in 1973 amounted to \$123.2 million (\$98.7 million in 1972).

The five-year forecast of capital expenditures for the 1974-1978 period is currently being updated and present indications are that the revised plan will be in excess of \$1.2 billion.

Approximately 48% of the total dividends payable to the Company from Light are currently remittable in dollars, and the balance is payable in cruzeiros. The reinvestment of the cruzeiro dividends, combined with internally generated funds, will comprise a

significant proportion of the amount required for the five-year capital program.

As mentioned in previous annual reports, a Government Commission has been charged with determining the physical existence and the monetarily corrected cruzeiro cost less applicable depreciation of Light's plant in service. The Commission has completed its work and filed its report with the Ministry of Mines and Energy. In March, 1974 the Ministry approved the monetarily corrected cruzeiro cost of the plant in service net of depreciation as at December 31, 1964, together with net additions at cost to December 31, 1972. These cruzeiro values, adjusted for subsequent monetary corrections, are approximately 0.3% lower than the equivalent book values in cruzeiros at December 31, 1972.

Electric income from January 1, 1965 may be subject to adjustment in future rates to reflect the effect of these findings, but it is not anticipated that the result thereof will be material.

Pages 34 and 35 contain comparative consolidated income statements for each of the years from 1965 to 1973, together with selected operating statistics.

Canada

In 1973 the Company acquired Great Lakes Power Corporation Limited of Sault Ste. Marie, Ontario ("GLP") for Can. \$36.7 million. Subsequent to the acquisition, its corporate structure was reorganized in an arrangement whereby GLP exchanged its shares and notes for substantially all of the Company's Canadian assets.

The electric utility operations of GLP continue to be carried on by its wholly-owned subsidiary, Great Lakes Power Company Limited. The electric utility results have been included in income as from July 1, 1973. Net income for the six months ended December 31, 1973, before interest costs applicable to its acquisition, amounted to \$2.4 million.

Financial Services and Trading

Brazil

Banco Brascan continued to develop its range of investment banking services in 1973. Banco Brascan provides its clients with management advice and is directly involved in the areas of lending and the money market. A subsidiary, Crefinan, is engaged in consumer credit financing, and towards the end of 1973 another subsidiary began operations in the business of machinery and equipment leasing.

Total financial service income amounted to \$6.4 million, an increase of \$0.4 million over the \$6.0 million reported in 1972.

At December 31, 1973 the outstanding value of loans granted amounted to the equivalent of \$57.4 million.

In 1973, effort was devoted to strengthening the trading operation in Brazil. It is anticipated that the Rio de Janeiro office, which was established in 1972, will contribute to the growth of exports of Brazilian products in future years.

Canada and other

During the year a financial services office was opened in Geneva.

The Trading Group will concentrate on developing markets for Canadian and Brazilian goods through the co-ordination of the efforts of the trading offices (Toronto, Rio de Janeiro, London, New York, Tokyo and Osaka).

Natural Resources

Brazil

Brazil is a leading supplier of iron ore and manganese, and is developing large reserves of bauxite, cassiterite and nickel. Improved access to the interior will certainly lead to new mineral discoveries, and the Company's Brazilian mineral exploration company, Promisa, is actively engaged in prospecting.

Subsequent to the year-end, Promisa acquired control of a producing tin

property, Jacundá, located in the Territory of Rondonia.

Canada

Brascan Resources Limited, the Company's natural resource subsidiary, has for the past several years been building its exploration and development potential. During that time a competent and qualified staff has been recruited.

In 1973, Western Minerals Ltd. of Calgary, Alberta, an operating oil, gas and mineral company, was acquired for Can. \$32.5 million.

The organization of Brascan Resources is comprised of three major operating divisions:

Petroleum Division

During the year Brascan Resources participated in a total of 84 gross wells, 40 of which ran casing for completion as producers. Sixty-one of the gross wells were drilled in continuation of the central Alberta shallow gas well program, 30 of which were successful. A portion of these reserves has been contracted for market.

In Northern Alberta, a gas condensate discovery at Botha is being actively followed up, with five additional exploratory wells scheduled for drilling during the 1973-74 winter season.

At December 31 the company had proven and probable gas reserves estimated at 565 billion cubic feet of gross raw gas. Crude oil reserves were 5.9 million barrels proven and probable. Most of the crude oil production is in the form of royalty, which is free of operating costs and unaffected by rising crown royalties and reserve taxes.

As a result of the acquisition of Western Minerals, Brascan Resources acquired an additional interest in 893,356 gross acres in the Arctic. The majority of these lands are farmed out to Panarctic Oils Ltd., and two dry holes were drilled on the farmout lands during 1973.

The company also acquired via Western Minerals an interest in 1,760,000 gross acres of petroleum and natural gas rights in the Yukon. Proven and probable oil and gas reserves had previously been delineated on these properties through expenditures by other operators. This large block is in close proximity to the proposed route of the gas pipeline from the Mackenzie Delta and further exploration and development on these lands is dependent to a large degree on pipelines and markets.

Off the coast of Labrador, drilling was conducted by another operator 35 miles east of the 753,404 acre Hopedale block in which Brascan Resources holds a 14.8% working interest. Further drilling and evaluation is programmed in the area by the same company in 1974.

In southwestern Ontario, geological and gravity surveys were completed during the year on our 10,000 net acres.

The 15% equity interest in Elf Oil Exploration and Production Canada Ltd. was fully acquired by your Company on January 2, 1974, by payment of the final instalment of Can. \$8 million. In the high Arctic, Elf's gross acreage holdings are 27,929,917 acres. During 1973 two new gas discoveries by other companies in the eastern Arctic increased interest in the Ellef Ringnes Island acreage. Seismic farmout options were consummated at South Ellesmere, and drilling was conducted in the tertiary basin of Romulus. In the western Arctic, the Elfex partnership was created and this group drilled two unsuccessful wells on Prince Patrick Island. Two additional sites on Banks Island are to be drilled during the 1973-74 winter season.

On the mainland in the vicinity of Anderson Plain, two dry tests were drilled, and exploration work was carried out in the Mackenzie Delta. Elf holds 4,194,521 gross acres in these areas.

In the Hudson Bay area where Elf holds 19,457,005 gross acres, completion of the Walrus well and additional drilling will be carried out during 1974.

In the East Coast offshore area, where Elf holds an interest in 4,297,618 gross acres, a farmout has been consummated on a portion of the lands to a group of companies who have earned an interest by drilling. Following the completion of the first hole, these companies will have an option to drill a second well.

On Elf's approximately 2,000,000 gross acres of land in the Western Provinces, 14 gross wells were drilled, five of which were successful.

Elf's overall holdings of oil and gas rights accumulated over the past decade total some 23 million net acres in approximately 57 million gross acres.

On the 14,197,690 gross acres held by Magnorth Petroleum Limited, in which Brascan Resources has a 12.3% equity interest, 3,300 miles of additional marine seismic exploration was carried out by Norlands Petroleum Limited during the 1973 summer season. Norlands, through the expenditure of approximately Can. \$10 million, has the right to acquire a 25% interest in Magnorth's acreage, with an option to increase this interest to 50% with a further expenditure of Can. \$26.6 million.

Minerals Division

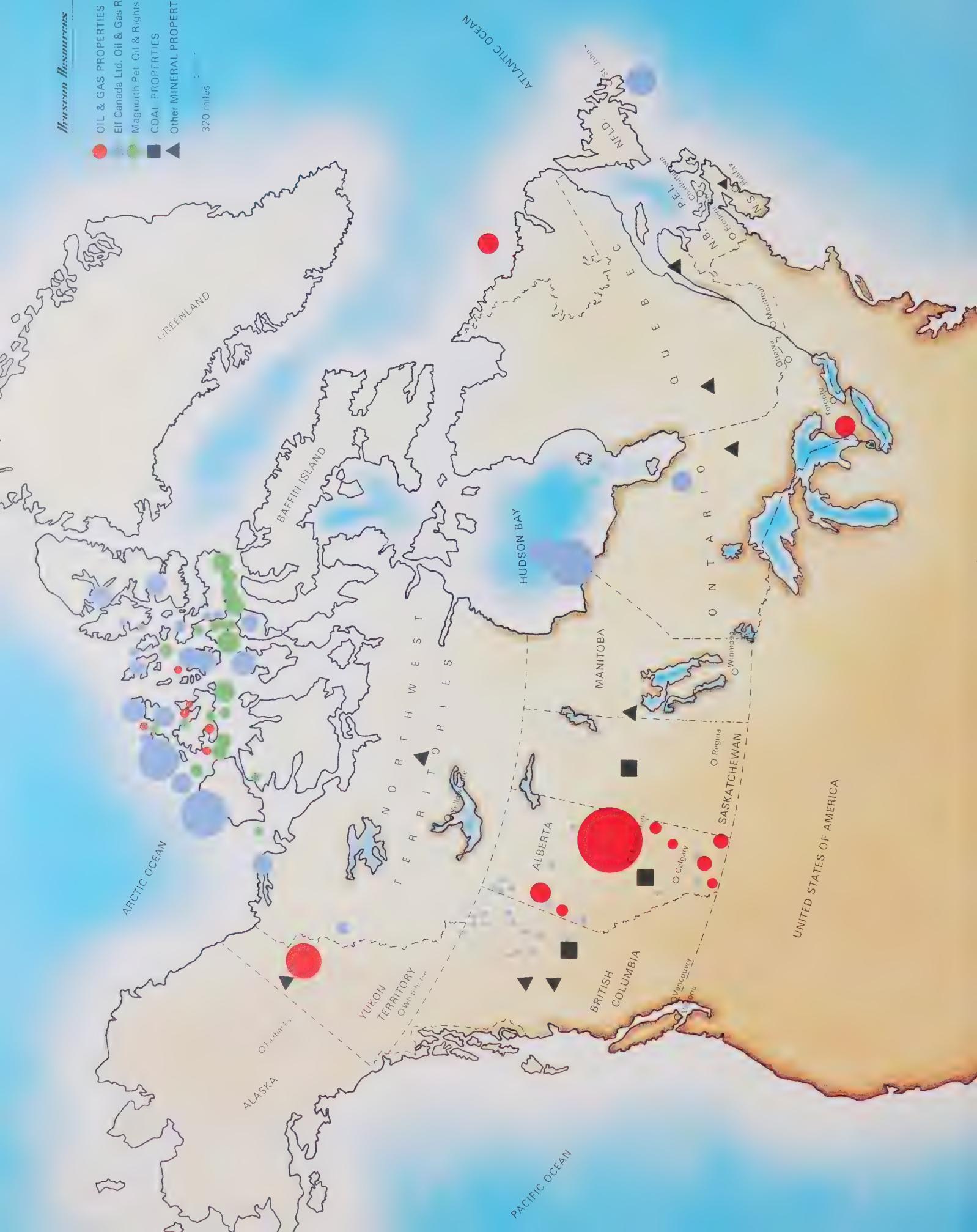
A total of 11 exploration projects for copper-molybdenum, lead, zinc and silver were carried out in 1973 in British Columbia and the Yukon, and further exploration is planned in 1974.

In Eastern Canada exploration projects were conducted for copper, silver, lead and zinc, and it is planned to expand the scope of the investigation of certain of these projects in 1974.

Coal and Industrial Minerals Division

Through the acquisition of Western Minerals, Brascan Resources receives payments in respect to the Alberta Wabamun coal reserves. Prior to the

Russian literature



Brascan acquisition, Western Minerals sold the coal rights for a Can. \$19.7 million long-term purchase obligation.

The major coking coal project in which the company is involved is Sukunka, located in northeastern British Columbia. Development of the company's investment is contingent upon the result of negotiations with the British Columbia Government and the determination of port, loading and rail facilities. In the interim, activity at the mine has been suspended, but underground workings are being maintained. Expenditures incurred to December 31, 1973 on development mining amounted to \$8.5 million (\$3.9 million in 1973) and have been deferred.

A 25% interest was acquired in Austen & Butta Limited in 1973 for Can. \$3.4 million. Austen & Butta operates coal mines in Australia and is participating in Sukunka through Coalition Mining Limited, the operator of the project.

Tourism and Real Estate Development

Brazil

Real estate development is one of the most profitable areas of investment in Brazil and the Investment Group has been actively developing plans in this sector.

Gávea Hotelaria e Turismo

The \$141 thousand in income represents interest on moneys advanced in connection with the hotel being constructed on Gávea Beach in Rio de Janeiro. The 500-room Hotel Inter-Continental Rio, owned by Gávea Hotelaria e Turismo, is scheduled for completion in July, 1974.

Parati

The conceptual and design phase for an ocean-front resort is nearing completion.

Consumer Goods and Services

Brazil

Income increased \$7.2 million to \$5.0 million in 1973 from the \$2.2 million loss reported in 1972.

	\$ millions	
Foods and Beverages	1973	1972
Fábricas Peixe . . .	\$(0.3)	\$(2.2)
Equity interest in the income of corporate joint ventures		
Skol-Caracu . . .	.6	
Swift-Armour S.A. . .	4.4	
Interest income		
Skol-Caracu . . .	.3	
	<u>\$ 5.0</u>	<u>\$(2.2)</u>

Fábricas Peixe

Peixe, with its lines of tomato products, juices, fruits, vegetables and preserves, is aggressively increasing its market share and results of operations improved significantly during the year. The improvement was achieved in spite of production curtailments necessitated by a serious shortage of tin plate.

During 1973 acreage was allocated to a new tomato variety. Increased acreage will be devoted to this new strain in 1974 as a result of the excellent productivity and high quality industrial yields which were achieved.

Skol-Caracu

Early in 1973 the Company's Brazilian Investment Group and John Labatt Limited participated, on a 60/40 basis, in acquiring a 50% interest in a brewing joint venture company, with a prominent Portuguese group owning the remaining 50% interest. The joint venture owns 58% of the voting control of Skol-Caracu.

Skol-Caracu operates five breweries and ranks third in sales in Brazil. A new brewery in Brasília is scheduled to commence production in 1974.

During 1973 total industry production increased 15% to an estimated 11.2 million hectolitres (9.9 million barrels). In the same period Skol-Caracu's production increased 35.4% and the company achieved a 10% share in the Brazilian beer market.

Swift-Armour S.A.

In December, 1972 the Investment Group participated on a 45/55 basis

with the Brazilian Group CAEMI in acquiring a 92% interest in Swift-Armour S.A.

Swift-Armour is the largest meat packer and beef exporter in Brazil, where it operates three slaughterhouses, canning facilities and several cattle ranches. Export sales, including frozen cooked beef and canned corned beef, amounted to more than \$78 million for Swift-Armour in 1973, while sales in the domestic market totalled \$90 million. Government supply and price control permitted a favourable product mix in 1973, and while earnings were well ahead of plan, it is forecast that 1974 profits will be somewhat lower.

Eucatex S.A. and Aracruz S.A.

Brazil possesses the world's largest natural reserves of hardwood forests, and soil and climatic conditions favour the rapid growth of many species. Forestry projects have been encouraged by the Government through the granting of fiscal incentives. The Company's Brazilian Investment Group participates in the wood products industry and forestry projects through its investments in Eucatex S.A. and Aracruz S.A.

Gomes da Costa

With more than 4,600 miles of coastline and an abundant supply of fish, Brazil has been developing its fishing industry to meet both domestic and external demand.

Brazil is the world's largest supplier of sardines with a production of approximately 150,000 tons in 1973. Subsequent to the year-end, an agreement was reached whereby the Investment Group acquired a 71% interest in Gomes da Costa, a leading sardine canner.

Dividends and Profits on Sale of Shares

Brazil

Dividends and profit on the sale of shares increased to \$4.0 million from the \$1.2 million earned in 1972.

	\$ millions	
	1973	1972
Dividends . . .	\$ 0.7	\$ 0.2
Profits on sale of shares . . .	3.3	1.0
	<u>\$4.0</u>	<u>\$1.2</u>

During the year the Company sold its shares in Celanese do Brasil for \$5.0 million, since this investment was not consistent with the Company's long-term investment objectives.

Canada

Dividends and profits on sale of shares were as follows:

	\$ millions	
	1973	1972
Dividends		
John Labatt Limited	\$ 2.5	\$ 2.5
Hudson's Bay Company	.5	.5
Other . . .	.1	.1
Profit on sale of shares . . .	.6	.2
	<u>\$ 3.7</u>	<u>\$ 3.3</u>

John Labatt Limited

Labatt, a Canadian management holding company, is Canada's largest brewer and a leading Canadian producer of wines, confectionery, consumer foods and industrial grain products. Its business continues to expand, and sales for the nine months ended January 31, 1974 totalled Can. \$457.5 million, an increase of Can. \$67.6 million over the nine months ended January 31, 1973. Net income for the period amounted to Can. \$17.0 million, or Can. \$1.62 per share. The comparable figures for the same period last year were Can. \$14.6 million, or Can. \$1.37 per share.

Brascan has a 31.4% interest in the common shares of Labatt (24.4% on a fully-diluted basis).

Hudson's Bay Company

Hudson's Bay, in which Brascan has a 6.6% interest, is one of Canada's largest retailers and in addition has interests in fur, property development, oil and gas. Its business continues to grow, and for

the last completed fiscal year, January 31, 1974, had a profit of Can. \$17.6 million or Can. \$1.29 per share. Profit was Can. \$15.7 million (Can. \$1.16 per share) in the previous year.

During the year Hudson's Bay acquired a 64.1% interest in Markborough Properties Limited, a real estate development company. It also acquired a 35% interest in Siebens Oil & Gas, a Canadian exploration and development company with diversified land holdings in Canada, the North Sea and elsewhere. As part of this transaction, Hudson's Bay merged its Canadian mineral rights with Siebens'.

Interest Under Telephone Sale Agreement

Brazil

Maturing interest and principal instalments under the Brazilian Government-guaranteed obligations, covering the unpaid balance of the sale price of the telephone utilities, were remitted in full in 1973.

Corporate Expenses

The \$5.3 million increase in corporate expenses is principally attributable to interest on the bank indebtedness associated with the acquisitions of Great Lakes Power and Western Minerals.

Foreign Exchange

Foreign exchange adjustments amounted to \$24.5 million (\$0.96 per share) in 1973, an increase of \$17.7 million (\$0.70 per share) over the comparable figure for 1972.

	\$ millions	
	1973	1972
Interest-bearing assets and liabilities in Brazil:		
Light	\$15.9	\$ 2.8
Other companies .	8.2	4.1
	<u>24.1</u>	<u>6.9</u>
Other assets and liabilities:		
Light . . . . .	.9	2.6
Other companies .	(.5)	(2.7)
	<u>\$24.5</u>	<u>\$ 6.8</u>

The major portion of the increase relates to adjustments on the net interest-bearing assets in Brazil (\$17.2 million). Such assets entitle the holder to receive not only interest, but also a monetary adjustment (either express or implicit), to compensate for internal inflation. As explained in the summary of accounting policies, the excess of such monetary adjustments received, over the external devaluation of the related cruzeiro assets, is shown as foreign exchange adjustments.

In 1972 the external devaluation of the cruzeiro relative to the United States dollar amounted to 9.3% while the comparable figure for 1973 amounted to only 1%. Accordingly, in 1973 the foreign exchange adjustments on interest-bearing net assets represented virtually all of the monetary adjustment received thereon.

The magnitude of the net foreign exchange gain is attributable, in large measure, to the February, 1973 devaluation of the United States dollar.

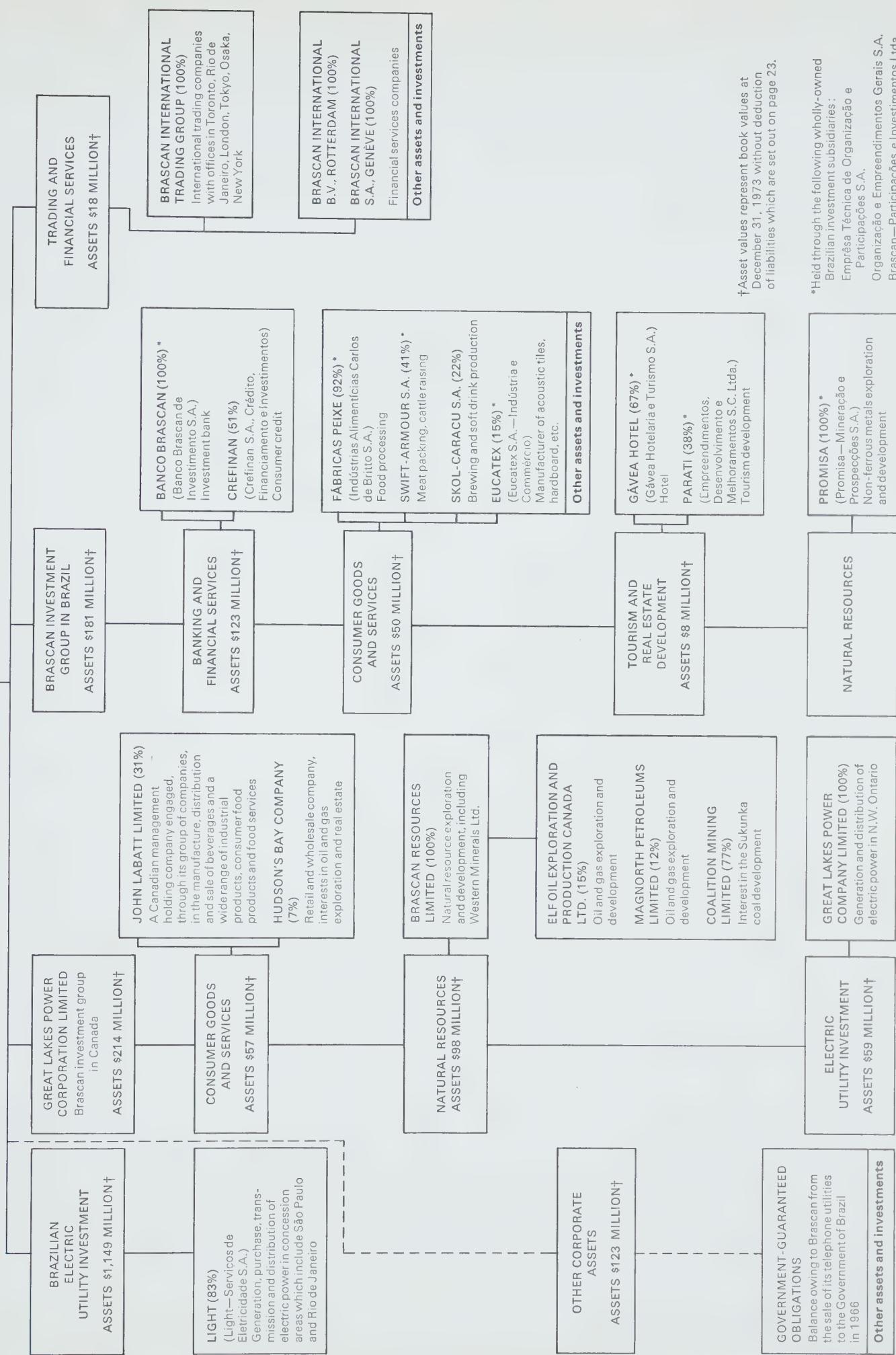
Research and Development

In spite of rapid growth in recent years, the North and Northeastern regions of Brazil still lag far behind the rest of the country in per capita income.

Recognizing that agribusiness offers an opportunity for better paid employment for the population in the area, Brascan Nordeste, the research foundation created by Brascan in 1972, is fostering practical research in this area. Its manioc research in co-operation with the University of Bahia has attracted world-wide attention; smaller projects to increase productivity of corn and onions, adapted to the conditions of the area, are underway. Projects in tropical fruit and fishing are now being evaluated.

Brascan

LIMITED
An investment management company
(Incorporated under the laws of Canada)
ASSETS \$1,685 MILLION†



Financial Review 1973*

The consolidated financial statements of the Company and its subsidiaries, together with the related Auditor's Report to the shareholders, appear on pages 17 to 31 of this review. Light's comparative summary of income and operating statistics for each of the years since 1965 is set out on pages 34 and 35.

The form and content of the Financial Review have been altered this year. The section on earnings has been incorporated into the main body of the annual report, in the Report on Operations.

Translation of Cruzeiros to Dollars

Cruzeiro revenues and expenses were translated into dollars in 1973 at the average free market exchange rate for the year Cr\$6.13 (Cr\$5.93 in 1972) except for depreciation which was translated at the same rate as that used for the translation of the related assets. During the calendar year 1973 the cruzeiro was devalued by 0.1% from Cr\$6.215 at the beginning of the year to Cr\$6.220 at the year-end.

Year	Cruzeiros per Dollar		Annual Devaluation %	
	Average Free Market Rate	Dec. 31 Rate	Average Free Market Rate	Dec. 31 Rate
1964	1.29	1.85	55.3%	35.1%
1965	1.90	2.22	32.1	16.7
1966	2.22	2.72	14.2	18.2
1967	2.69	3.22	17.4	15.7
1968	3.47	3.85	22.6	15.9
1969	4.11	4.35	15.7	12.0
1970	4.59	4.95	10.4	12.1
1971	5.30	5.64	13.4	12.2
1972	5.93	6.22	10.6	9.3
1973	6.13	6.22	3.2	.1

Consolidated Balance Sheet

Working Capital

Details of the changes in working capital are indicated on the Statement of Consolidated Current Assets and Liabilities.

*The Company's financial statements are expressed in United States currency and all references to dollars in this Review are to United States dollars unless otherwise indicated.

Canada and other

Deposit receipts

The increase in deposit receipts is principally attributable to the proceeds arising from the Deutsche mark bond issue.

Brazil

Interest-bearing secured loans

The December 31, 1973 balance of \$57.3 million represents an increase of \$27.3 million from the comparable figure reported in the prior year. The increase is attributable to new business generated by Banco Brascan and the transfer of the current portion of interest-bearing secured loans from other assets.

Accounts payable and accrued charges

Two items in Light accounted for \$22.1 million of the \$33.4 million increase in the year-end balances of accounts payable and accrued charges. Accrued purchased power costs were \$11.8 million higher than the previous year's balance, while the surplus of allowable revenues (excess of billings to customers over the cost of service) increased by \$10.3 million.

Investments

Canada and other

Shares of Canadian companies at cost (\$57.5 million) shown in the consolidated balance sheet consist of the Company's holdings in John Labatt Limited and Hudson's Bay Company. The quoted market value at the year-end of these investments was \$85 million compared with \$106 million at the end of 1972.

The shares of Canadian companies at cost (no quoted market value) consist primarily of the holdings in Elf Oil Exploration and Production Canada Ltd. The increase represents the January 1973 payment of the fourth instalment of Can.\$8 million for this investment. The last instalment was paid in January 1974. The equivalent of the cost to the Company of these holdings is being used by Elf, in part, to finance its drilling and exploration program, and a substantial portion of this contribution to Elf's expenditures on that program is being renounced in favour of

Brascan Resources Limited and is thus available as an offset against such taxable income as may arise from the latter's operations in the future.

The increase in other investments represents the Can. \$3.4 million cost of the 25% interest in Austen & Butta Limited, Australia.

Brazil

Shares and debentures at cost less amounts written off

	\$ millions	
	1973	1972
Portfolio of listed securities and debentures.....	\$ 4.6	\$ 4.7
Shares in state power companies.....	4.2	4.2
Other equities (principally F.N.V., Garcia, Eucatex, Brinks and Celanese do Brasil).....	7.6	10.0
	<u>\$16.4</u>	<u>\$18.9</u>

The interest in Celanese was sold during the year.

Shares of and loans to corporate joint ventures on the equity method

	\$ millions	
	1973	1972
Swift-Armour S.A.....	\$19.8	\$14.2
Skol-Caracu.....	11.0	4.0
Parati.....	.3	
	<u>\$31.1</u>	<u>\$18.2</u>

Other Assets

Canada and other

Long-term receivable

Prior to its acquisition by Brascan, Western Minerals sold certain rights to the Alberta Wabamun coal reserves for a Can. \$19.7 million long-term purchase obligation.

At December 31, 1973 the account receivable of Can. \$19.2 million was shown at its discounted value of \$5.9 million, based on an assumed interest rate of 8%. During the year the Company received an instalment payment of \$225 thousand.

Brazil

Interest-bearing secured loans

The balance at December 31, 1973 represents a reduction of \$10.6 million from the previous year. Essentially, this

reduction reflects a transfer to the current assets grouping and recognizes the fact that these loans will mature in 1974.

Property, Plant and Equipment

Details of such balances are shown on the Statement of Consolidated Property, Plant and Equipment, in the financial statements.

The unrealized balance of the Brazilian gas company assets continues to be carried at book value, pending determination by the courts of the compensation payable thereon.

Long-Term Debt

The changes in long-term debt are set out in the Statement of Long-Term Debt.

Canada and other

The balance of the medium-term bank indebtedness, incurred to finance the purchase of Great Lakes Power and Western Minerals, was reduced to \$24 million in January 1974 through the application of the equivalent of \$15 million of the proceeds from the Deutsche mark bond issue.

In February 1974, a Can.\$25 million loan was arranged, repayable 1975-1980, and the proceeds of this loan were employed to complete the retirement of the medium term credit.

As a result of the inclusion for the first time of Great Lakes Power Corporation Limited in the consolidated financial statements of the Company, the outstanding debt of the former is shown on the statement of consolidated long-term debt.

Brazil

During 1973 Light arranged the following loans:

	\$ millions
International Bank for Reconstruction and Development (World Bank).....	\$20.0
Export Development Corporation of Canada.....	26.5*
A Canadian chartered bank.....	4.5*

Drawdowns under these loans will commence in 1974.

*Canadian dollars

Capital

At December 31, 1973, 11.3% of the Company's ordinary shares were represented by bearer share warrants, including fractional parts of shares resulting from stock dividends which were not converted into whole shares. (10.8% in 1972).

The geographical groupings of the registered shareholders at December 31 were as follows:

	1973	1972
Canada	55.2%	50.5%
United States	39.7	46.2
U.K. and Eire	3.3	2.7
Other countries	1.8	.6
	<u>100.0%</u>	<u>100.0%</u>

In order to permit dividends to be paid out of certain defined portions of retained earnings, resulting in a different Canadian tax treatment when such dividends are received by shareholders, Supplementary Letters Patent were obtained in December 1973 redesignating the existing ordinary shares and providing for the creation of a new class of ordinary shares. Both classes of ordinary shares are convertible one to the other. Details of these changes in capital are contained in Note 16 of the Notes to Consolidated Financial Statements.

Shareholders' Equity

Shareholders' equity amounted to \$918.4 million or \$35.86 per share at the end of 1973 compared with \$815.5 million (\$31.83 per share) at December 31, 1972. It was employed, on a per share basis, in the following areas:

Shareholders' Equity per Ordinary Share

	1973			1972		
	Brazil	Canada and other	Total	Brazil	Canada and other	Total
Electric utilities	\$ 22.74	\$ 1.67	\$ 24.41	\$ 20.58	\$.19	\$ 20.77
Financial services and trading	3.33	.22	3.55	2.41	.07	2.48
Tourism and real estate development . . . . .	.21		.21	.17		.17
Natural resources		3.74	3.74		1.86	1.86
Consumer goods and services	1.52	2.25	3.77	.86	2.25	3.11
	27.80	7.88	35.68	24.02	4.37	28.39
Other corporate assets						
Brazilian government- guaranteed obligations	2.50		2.50	2.63		2.63
Long-term debt and bank indebtedness		(3.94)	(3.94)			
Net current assets and other		1.62	1.62		.81	.81
Total (per ordinary share)	\$ 30.30	\$ 5.56	\$ 35.86	\$ 26.65	\$ 5.18	\$ 31.83
Total (\$ millions)	\$ 776.1	\$ 142.3	\$ 918.4	\$ 682.8	\$ 132.7	\$ 815.5

Summary of Accounting Policies

A summary of the Company's major accounting policies is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries.

Basis of accounting for non-consolidated long-term intercorporate investments

The Company accounts for its investments in corporate joint ventures (all of which were acquired in late 1972) on the equity method. Under this method the Company's investment in such companies is carried on the balance sheet at cost plus its share of undistributed earnings. The Company's share of the annual net earnings of these companies is reflected currently in income rather than when realized through dividends. It is the Company's policy to carry the excess of purchase price over the underlying net book value of an investee's assets at cost until such time as its value is estimated to be permanently impaired.

The Company's policy is to carry its investments in non-effectively controlled companies (other than corporate joint ventures) at cost or, where it is estimated that there has been a loss in value other than a temporary decline, at cost less amounts written off in recognition of such loss in value.

Translation of foreign currencies

The Company's financial statements are expressed in United States currency. Assets, liabilities, revenues and expenses in currencies other than United States dollars have been translated into United States currency as follows:

- (a) Current assets and current liabilities at the rates of exchange prevailing at the balance sheet date;
- (b) Long-term debt at the rates of exchange prevailing when the proceeds were converted;
- (c) Other assets and liabilities at the rates of exchange prevailing when they were acquired or incurred;

(d) Revenues and expenses at average official free market exchange rates for the period (or rates closely approximating these) except for depreciation and depletion provisions, which are at the rates used for the translation of the related assets.

When the cruzeiro is devalued relative to the United States dollar during the year, the application of the above translation procedures gives rise to exchange losses (with respect to cruzeiro assets) and exchange gains (with respect to cruzeiro liabilities). The net amounts of such gains and losses, together with similar adjustments with respect to other currency balances held by the Company or its subsidiaries, are shown as foreign exchange adjustments on the statement of consolidated income.

Certain short-term interest-bearing assets in Brazil entitle the holder to receive not only interest but also a monetary adjustment to compensate for internal inflation. In order to treat similar assets in a consistent manner, the Company's policy is to segregate a monetary adjustment component on all short-term interest-bearing assets and liabilities in Brazil. Such monetary adjustment components are usually offset to a greater or lesser extent by the external devaluation of the cruzeiro relative to the United States dollar and the resulting net adjustment is shown separately on the statement of consolidated income as foreign exchange adjustments on interest-bearing assets and liabilities. In 1973 the extent of the offsetting external devaluation of the cruzeiro relative to the United States dollar was substantially less than in prior years and the resulting net adjustment (monetary adjustments received less related devaluation) was accordingly significantly higher.

Income and withholding taxes

The Company's general policy is to account for income and withholding taxes on the tax allocation basis. Interest and dividend payments from subsidiaries in Brazil are subject to regular Brazilian withholding taxes at the rate of 25% and full provision has been made (in current liabilities) for such taxes at that rate on inter-company interest accrued and on subsidiaries' earnings to the extent that dis-

tribution of such earnings by way of cash dividends is anticipated in the following year.

Utility operations—Brazil

(a) Revenue recognition—

The rate structure regulations, establishing what is known as “service at cost”, became effective in 1965. Service at cost involves setting customers’ rates for electricity at a level which will produce operating revenues sufficient to cover (i) operating expenses of the service, (ii) provisions for depreciation and reversion (see below), (iii) the allowable return on the rate base, and (iv) adjustment for prior years’ deficiencies and surpluses.

The main components of the rate base are the year-end balance of plant in service (at depreciated net book value in cruzeiros monetarily corrected by annual co-efficients to offset the inflationary decline of the currency) and an allowance for working capital.

Electric rates are established periodically based on anticipated costs and sales volume for the coming tariff period and the estimated year-end rate base. These estimates are filed with the regulatory authority as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority. Because rates are based on estimates there will always be, in any one year, some surplus or deficiency. If there is a surplus (i.e., when billings to customers exceed “service at cost”), this amount must be taken into account in establishing rates in subsequent years and is accordingly excluded from current operating revenues and income and deferred to such subsequent years. If there is a shortfall in revenues, the deficiency is only recoverable from future rates and is taken into income when received.

(b) Depreciation and accumulated amortization—

Depreciation has been provided at the rate prescribed by the regulatory authority (being approximately 3% of depreciable plant on a straight-line basis).

The provision for amortization (accumulated prior to 1953) may be required to cover part of the undepreciated cost of

certain utility properties upon their reversion or other transfer to conceding authorities.

(c) Reversion—

Regulations require that certain moneys (known as reversion moneys) generated by the rates (and computed at an annual rate of approximately 3% of gross plant) be paid on a current basis to Eletrobrás, the federal power agency, to be used in partial settlement of the compensation upon ultimate reversion of the properties to the conceding authority and/or as a pool of funds to help finance electric utility expansion programs throughout Brazil.

In 1971 and prior years, the regulations permitted the Company’s electric subsidiary to deposit such reversion moneys (computed in the same manner) in a special bank account and subsequently to withdraw substantially all of them for investment in its capital assets, such capital assets forming part of the rate base on which the rate of return is calculated. The cumulative amount of these withdrawals to December 31, 1971 is shown as accumulated reversion on the consolidated balance sheet. This accumulated reversion is not repayable, but does bear interest and would be deducted from the value of the utility assets upon reversion to the conceding authority.

(d) Reversion interest—

Regulations require that reversion interest at the rate of 10% be computed on accumulated reversion (see (c) above) after annual monetary correction and that such interest be paid on a current basis to Eletrobrás.

(e) Customers’ contributions for line extensions—

Regulations call for certain plant and equipment costs to be borne by consumers with respect to line extensions or new connections. These costs are included in property, plant and equipment and the related billings credited to customers’ contributions for line extensions. Such contributions are not repayable and do not bear interest but are deducted in determining the rate base for purposes of computing the annual allowable return thereon and its value upon reversion to the conceding authority.

(f) Retirements—

Profits or losses on disposal of utility property, plant and equipment are credited or charged to accumulated depreciation.

(g) Materials and supplies—

Utility materials and supplies are valued at cost, determined under the average cost method.

(h) Allowance for interest on funds used in construction—

An allowance for interest on funds used in construction is charged to construction work in progress and credited to income at the average rate for the year applied to the year-end balance of such construction, as prescribed by the regulatory authority. The average rate is computed as a weighted average of the interest rates on loan funds and the allowable rate of return (see (a) above) on internal funds employed to finance construction during the year.

Electric utility operations—Canada

(a) Depreciation—

Depreciation has been provided on depreciable electric utility plant at a rate of 2½% on a straight-line basis.

(b) Retirements—

Profits and losses on disposal of property, plant and equipment are credited or charged to accumulated depreciation.

Natural resource operations

(a) Oil and gas properties—

The Company follows the full cost method of accounting whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration activities. The costs are accumulated in cost centres as follows:

(i) Canada (excluding the Arctic)

(ii) Arctic

(iii) Foreign areas

Depletion is provided each year on costs accumulated in the Canada cost centre in the proportion that the year's production of oil and gas bears to proven reserves (the composite unit of production method). Expenditures incurred in the Arctic and in foreign areas are being deferred pending the results of exploration still in progress in each area. These costs will be depleted, by cost centre, on the basis of reserves discovered in each area, or written off to income if exploration activities in that area prove unsuccessful.

(b) Oil and gas equipment—

Oil and gas equipment costs are also depreciated on the unit of production basis.

(c) Deferred mine development expenditures—

All mine development expenditures incurred have been in connection with the Sukunka coal project and have been deferred as these activities are in the exploration and development stage.

(d) Coal and mineral licences—

No depletion has been provided on coal and mineral licences since activities are in the exploration and development stage.

Other operations

(a) Industrial inventories—

Industrial inventories are carried at the lower of average cost or market.

(b) Depreciation—

Depreciation of equipment and other physical property and amortization of leasehold improvements are provided at various rates calculated to extinguish the related book values over their estimated useful lives.

Statement of Consolidated Income

for the years ended December 31
(Expressed in thousands of United States dollars)

	<u>1973</u>	<u>1972</u>
Electric utility—Brazil:		
Operating revenues (note 1)	\$625,409	\$518,191
Operating revenue deductions—		
Purchased power	259,105	202,634
Fuel oil	5,046	2,382
Salaries, wages and other operating expenses	143,499	119,169
Depreciation	28,921	26,777
Reversion	37,962	32,860
	474,533	383,822
Operating income	150,876	134,369
Income deductions—		
Interest expense—net (note 1)	6,783	9,073
Equity of minority shareholders	24,431	18,923
Income and withholding taxes (notes 1 and 2)	29,550	24,632
	60,764	52,628
Net income before foreign exchange adjustments	90,112	81,741
Foreign exchange adjustments—		
On interest-bearing investments	15,942	2,834
Other	917	2,545
Net electric utility income—Brazil (note 1)	106,971	87,120
Investment and industrial operations (per statement attached):		
Canada and other	7,714	5,681
Brazil	14,422	6,119
Net income before foreign exchange adjustments	22,136	11,800
Foreign exchange adjustments—		
On interest-bearing assets and liabilities	8,154	4,080
Other	(530)	(2,678)
Net investment and industrial operations income	29,760	13,202
Net income before general corporate expenses	136,731	100,322
General corporate expenses:		
Interest on long-term debt	5,270	
Other corporate expenses	2,916	2,902
	8,186	2,902
Net income for year	\$128,545	\$ 97,420
Average number (in thousands) of ordinary shares (Class A and Class B) outstanding for year	25,613	25,612
Earnings per ordinary share		
Income before foreign exchange adjustments	\$ 4.06	\$ 3.54
Foreign exchange adjustments . . . . .	.96	.26
Net income for year	\$ 5.02	\$ 3.80

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Investment and Industrial Operations Income

for the years ended December 31

(Expressed in thousands of United States dollars)

	1973			1972		
	Canada and other	Brazil	Total	Canada and other	Brazil	Total
Investment and industrial operations income by segment:						
Net income (loss) from (note 3):						
Electric utility—Canada	\$ 2,409		\$ 2,409			
Financial services and trading operations	(413)	\$ 6,368	5,955	\$(179)	\$ 6,049	\$ 5,870
Natural resources	259	(762)	(503)	216	(226)	(10)
Tourism and real estate development		141	141		108	108
Consumer goods and services—						
Subsidiaries' operations.		(312)	(312)			
Equity in income of corporate joint ventures.		5,338	5,338			
	2,255	10,773	13,028		37	3,716
Dividends and profits on sale of shares	3,732	4,007	7,739	3,304	1,186	4,490
Interest under telephone sale agreement		3,833	3,833		4,033	4,033
Other interest income	2,509		2,509	2,340		2,340
	8,496	18,613	27,109	5,681	8,898	14,579
Expenses not allocated by segment:						
Income and withholding taxes	(782)	(1,877)	(2,659)			
General administrative expenses		(2,314)	(2,314)			
	7,714	14,422	22,136	5,681	6,119	11,800
Foreign exchange adjustments:						
On interest-bearing assets and liabilities		8,154	8,154		4,080	4,080
Other.	(20)	(510)	(530)	(29)	(2,649)	(2,678)
	\$ 7,694	\$22,066	\$29,760	\$ 5,652	\$ 7,550	\$13,202

(See accompanying summary of accounting policies and notes)

Consolidated Balance Sheet

(Expressed in thousands of United States dollars)

	Assets	December 31	
		1973	1972
Current assets (per statement attached):			
Canada and other	\$ 85,885	\$ 49,979	
Brazil	284,622	234,057	
	370,507	284,036	
Investments:			
Canada and other—			
Shares of Canadian companies at cost (quoted market value 1973—\$84,702; 1972—\$105,992)	57,484	57,484	
Shares of Canadian companies at cost (no quoted market value) (note 4)	32,166	23,990	
Other investments at cost	4,534	1,184	
	94,184	82,658	
Brazil—			
Government-guaranteed obligations (note 5)	60,307	63,092	
Shares and debentures at cost less amounts written off	16,377	18,932	
Shares of and loans to corporate joint ventures on the equity method	31,091	18,212	
	107,775	100,236	
Other assets:			
Canada and other—			
Securities and cash on deposit with trustee under trust indenture	4,404	4,947	
Deferred mine development expenditures (note 7)	8,487	4,594	
Long-term receivable (note 11)	5,672		
Sundry	4,192	585	
	22,755	10,126	
Brazil—			
Utility materials and supplies at average cost	25,067	24,495	
Interest-bearing secured loans	51	10,678	
Long-term finance contracts receivable	4,316	4,822	
Sundry including long-term receivables	7,145	7,718	
	36,579	47,713	
Property, plant and equipment at cost less accumulated depreciation, depletion and amortization (per statement attached):			
Canada and other	92,172	7,691	
Brazil	960,719	849,769	
	1,052,891	857,460	
	\$1,684,691	\$1,382,229	

(See accompanying summary of accounting policies and notes)

	Liabilities		December 31
	1973	1972	
Current liabilities (per statement attached):			
Canada and other	\$ 33,564	\$ 17,762	
Brazil	211,294	159,527	
	244,858	177,289	
Other liabilities:			
Canada and other—			
Long-term debt (per statement attached)	78,899		
Bank indebtedness (note 14)	34,000		
Minority interest	456		
Deferred income taxes	5,785		
	119,140		
Brazil—			
Long-term debt (per statement attached)	82,532	87,035	
Accumulated reversion	164,618	164,618	
Customers' contributions for line extensions	38,180	37,872	
Minority interest	109,466	92,671	
Other long-term liabilities	7,464	7,285	
	402,260	389,481	
Shareholders' equity:			
Capital (note 16)—			
Authorized:			
969 6% cumulative convertible preference shares of a par value of Can.\$100.00 each (1972—989 shares)			
5,000,000 second preferred shares of a par value of Can.\$20.00 each			
60,000,000 ordinary shares of no par value			
Issued and outstanding:			
969 6% preference shares (1972—989)	97	99	
25,612,726 ordinary (Class A and Class B) shares (1972—25,612,592)	195,337	195,335	
	195,434	195,434	
Retained earnings	722,999	620,025	
	918,433	815,459	
On behalf of the Board:			
J. H. Moore } Directors			
Henry Borden }			
	\$1,684,691	\$1,382,229	

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Current Assets and Liabilities

(Expressed in thousands of United States dollars)

	December 31	
	<u>1973</u>	<u>1972</u>
Canada and other:		
Current assets—		
Cash	\$ 3,805	\$ 4,245
Deposit receipts	61,996	26,776
Marketable investments at cost (quoted market value 1973—\$2,606; 1972—\$4,286)	3,120	4,184
Accounts receivable	16,964	14,774
	85,885	49,979
Current liabilities:		
Bank indebtedness	6,692	
Accounts payable and accrued charges	14,654	9,308
Dividends and interest due and accrued	10,836	7,896
Income and other taxes payable	1,102	558
Current portion of long-term debt	280	
	33,564	17,762
Net current assets (Canada and other)	52,321	32,217
Brazil (notes 6 and 8):		
Current assets—		
Cash	12,636	20,050
Treasury bills and other short-term investments	127,810	118,036
Government-guaranteed obligations due within one year (note 5)	3,686	4,378
Interest-bearing secured loans	57,310	20,081
Finance contracts receivable	19,169	15,072
Accounts receivable	60,979	51,122
Industrial inventories at lower of average cost or market	3,032	5,318
	284,622	234,057
Current liabilities—		
Accounts payable and accrued charges	126,388	93,046
Income and other taxes payable	43,667	35,874
Current portion of long-term debt	5,595	11,524
Bills of exchange payable	15,119	6,519
Bank indebtedness	2,094	6,462
Interest and dividends due and accrued	3,570	2,889
Short-term deposits	14,861	3,213
	211,294	159,527
Net current assets (Brazil)	73,328	74,530
Total net current assets	\$125,649	\$106,747

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Property, Plant and Equipment

(Expressed in thousands of United States dollars)

	December 31	
	1973	1972
Canada and other:		
Electric utility plant	\$ 79,629	
Oil and gas properties (note 15)	30,869	\$ 4,364
Coal and mineral licences (note 7)	6,443	2,825
Oil and gas equipment	1,928	401
Office furniture, equipment and leasehold improvements	797	560
Total property, plant and equipment, at cost	119,666	8,150
Less accumulated depreciation, depletion and amortization	27,494	459
	\$ 92,172	\$ 7,691
 Brazil:		
Utility plant in service	\$1,210,913	\$1,120,919
Utility construction work in progress	117,934	77,099
Other physical property	19,895	14,350
Total property, plant and equipment, at cost	1,348,742	1,212,368
Less accumulated depreciation	380,557	355,133
	968,185	857,235
Unrealized balance of gas company assets (note 9)	26,923	26,923
	995,108	884,158
Less accumulated amortization	34,389	34,389
	\$ 960,719	\$ 849,769

(See accompanying summary of accounting policies and notes)

Statement of Changes in Consolidated Financial Position

for the years ended December 31

(Expressed in thousands of United States dollars)

	<u>1973</u>	1972
Funds Provided:		
Funds provided from operations—		
Net income for year	\$128,545	\$ 97,420
Add (deduct):		
Depreciation and depletion	31,697	28,048
Allowance for interest on funds used in construction . . .	(11,923)	(7,659)
Non-dividend portion of equity in income of corporate joint ventures	(5,425)	
Equity of minority shareholders after deducting dividends paid (1973—\$11,528; 1972—\$8,685) . . .	13,526	10,140
	156,420	127,949
Long-term borrowings excluding those incurred to finance acquisitions	38,170	59,742
Increase in holdings of minority shareholders	3,254	5,246
Sale of property, plant and equipment	1,461	4,644
Current portion of sale price of telephone utilities	2,785	3,528
Decrease (increase) in loans and long-term financing contracts	11,133	(15,500)
Customer's contributions for line extensions	308	2,284
Total Funds Provided	213,531	187,893
Funds Used:		
Net funds used on acquisition of subsidiaries* (note 12) . . .	4,359	
Expenditures on property, plant and equipment	135,943	106,812
Increase in non-utility investments	16,425	21,611
Reduction in long-term borrowings	5,970	11,835
Deferred mine development expenditures	3,893	4,521
Increase (decrease) in utility materials and supplies	572	(3,465)
Dividends—ordinary and preference	25,571	24,406
Miscellaneous changes in various assets and liabilities	1,896	573
Total Funds Used	194,629	166,293
Increase in net current assets	18,902	21,600
Net current assets at beginning of year	106,747	85,147
Net current assets at end of year	\$125,649	\$106,747
*Net funds used on acquisition of subsidiaries—		
Net non-fund assets of subsidiaries acquired	\$ 68,359	
Less long-term portion of borrowings incurred to finance acquisitions	64,000	
	\$ 4,359	

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Retained Earnings

for the years ended December 31

(Expressed in thousands of United States dollars)

	1973	1972
Balance at beginning of year	\$620,025	\$549,336
Net income for year	128,545	97,420
	748,570	646,756
Deduct dividends:		
Cash—		
Preference (Can.\$6.00 per share)	6	6
Ordinary (note 16)	25,565	24,400
Stock—		
Ordinary (U.S.\$0.10 per share)	2,325	2,325
	25,571	26,731
Balance at end of year	\$722,999	\$620,025

Statement of Consolidated Long-Term Debt—Canada and Other

(Expressed in thousands of United States dollars)

	December 31	
	1973	1972
Great Lakes Power Corporation Limited:		
First mortgage sinking fund bonds, payable in Canadian dollars		
4½% due 1976	\$ 2,745	
10% due 1990	2,775	
Sinking fund debentures, payable in Canadian dollars		
4½% due 1975	3,020	
5¾% due 1977	3,739	
Brascan International B.V.:		
8.3% loan from a consortium of Japanese banks due annually		
1982 to 1988, payable in U.S. dollars (guaranteed by		
Brascan Limited)	30,000	
8½% guaranteed bonds due annually		
1979 to 1988, payable in Deutsche marks (guaranteed by		
Brascan Limited)	36,900	
Less current portion included in current liabilities	280	
	79,179	
	280	
	\$78,899	

Maturities and sinking fund requirements during the next five years are as follows:

1974—\$ 280	1977—\$3,525
1975— 3,225	1978— 185
1976— 2,775	

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Long-Term Debt—Brazil (note 6)

(Expressed in thousands of United States dollars)

	December 31	
	1973	1972
Amounts due to International Bank for Reconstruction and Development, due semi-annually 1974 to 1978 inclusive:		
4 1/4%, 4 7/8% and 6% loans, payable in U.S. dollars	\$ 2,017	\$ 8,287
4 1/4% and 6% loans, payable in Canadian dollars	4,159	5,939
6% loan, payable in French francs	584	848
	6,760	15,074
Brascan International B.V. *:		
8 1/4% guaranteed bonds due annually 1975 to 1987, payable in U.S. dollars (guaranteed by Brascan Limited) . . .	20,000	20,000
Light-Serviços de Eletricidade S.A.:		
United States of America Alliance for Progress 5 1/2% loan, due in equal semi-annual instalments 1974 to 1984, payable in U.S. dollars, or, at the lender's option, in equivalent cruzeiros	28,383	30,964
Morgan Guaranty Trust Company of New York loan at rates subject to periodic adjustment to 1 3/4% over the London interbank rate due semi-annually 1975 to 1978, payable in U.S. dollars	30,000	30,000
Supplier financing, due semi-annually 1974 to 1977, payable in U.S. dollars	2,984	2,521
	88,127	98,559
Less current portion included in current liabilities	5,595	11,524
	\$82,532	\$87,035

*Proceeds loaned to Light-Serviços de Eletricidade S.A.

Maturities and sinking fund requirements during
the next five years are as follows:

1974—\$ 5,595	1977—\$13,003
1975— 13,905	1978— 10,630
1976— 12,818	

(See accompanying summary of accounting policies and notes)

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

1. Electric utility operations—Brazil

(a) Operating revenues—

Since January 1, 1972 the rate of return allowed on the rate base has been 12%.

Billings in 1972 and 1973 were sufficient to cover "service at cost" (see summary of accounting policies).

(b) Corporate profits taxes—

Since January 1, 1972 the provision for these taxes has been made at 6%, the rate applicable to electric utilities.

(c) Interest expense—net

The components of net interest expense are as follows:

	1973	1972
Interest on long-term debt	\$ 7,243	\$ 4,327
Reversion interest	17,448	15,565
	24,691	19,892
Allowance for interest on funds used in construction	(11,923)	(7,659)
Interest income on short-term investments.	(5,985)	(3,160)
	<u>\$ 6,783</u>	<u>\$ 9,073</u>

For a description of reversion interest and of allowance for interest on funds used in construction, see the summary of accounting policies.

(d) Rate base—

All rate adjustments that have been approved to date under the "service at cost" system are provisional as they relate to the calculation by the Company's electric subsidiary of its own rate base. A Government Commission has determined the physical existence and the monetarily corrected cruzeiro cost less applicable depreciation of the plant in service as at December 31, 1964 together with net additions at cost to December 31, 1972. Approval of the Commission's findings was promulgated in March 1974. These cruzeiro values, together with subsequent monetary corrections, were approximately 0.3% below the equivalent book value at December 31, 1972. Electric income from January 1, 1965 may be subject to adjustment through future rates to reflect these findings.

2. Withholding taxes—Brazil

Interest and dividend payments from subsidiaries in Brazil are subject to regular Brazilian withholding taxes at the rate of 25% and provision has been made for such taxes at that rate (see summary of accounting policies).

The law further provides that, should net dividend remittances to a company's foreign shareholders exceed 12% of the dollar amount of registered capital averaged over the preceding three years, additional withholding taxes would be payable on a graduated scale from 40% to 60%.

3. Investment and industrial operations income

The major components of net income figures included in investment and industrial operations are as follows (see note 12):

	1973	1972
Electric utility—Canada		
Operating revenues.	\$ 7,839	
Purchased power	(2,347)	
Salaries, wages and other operating expenses.	(1,372)	
Taxes other than income taxes	(424)	
Depreciation	(930)	
Bond interest	(342)	
Equity of minority shareholders	(15)	
	<u>\$ 2,409</u>	

Financial services operations—Brazil

Interest income	\$12,624	\$ 8,197
Commissions and other	3,865	2,533
Interest expense	(5,849)	(1,851)
Depreciation	(35)	(34)
Other expenses	(3,958)	(2,683)
Equity of minority shareholders	(279)	(113)
	<u>\$ 6,368</u>	<u>\$ 6,049</u>

Natural resources—Canada and other

Royalties, oil and gas sales and lease rentals	\$ 1,601	\$ 929
Interest income	862	287
Gain on sale of oil properties.		407
General administrative expenses.	(1,429)	(577)
Depletion and depreciation.	(736)	(267)
Production expenses	(39)	(563)
	<u>\$ 259</u>	<u>\$ 216</u>

Consumer goods and services—Brazil

Subsidiaries' operations:

Sales	\$15,950	\$ 9,954
Cost of sales*.	(12,183)	(7,915)
Interest expense	(1,029)	(1,228)
Other expenses*.	(3,050)	(3,063)
	<u>\$ (312)</u>	<u>\$ (2,252)</u>

*Depreciation included in above

expenses	\$ 298	\$ 296
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4. Shares of Canadian companies at cost (no quoted market value)

The Company, through Brascan Resources Limited, has acquired a 15% equity interest in Elf Oil Exploration and Production Canada Ltd. for Can.\$40,000 (of which Can.\$32,000 was paid to December 31, 1973 and the balance on January 2, 1974). The major portion of this investment has financed exploration expenditures by Elf, the tax deductibility of which is being renounced in favour of Brascan Resources (see note 10). Elf is actively engaged in oil and gas exploration in the Arctic Islands, Beaufort Sea, Hudson Bay and other areas. Total oil and gas acreage of Elf amounts to 57 million gross acres, 23 million net acres.

5. Government-guaranteed obligations

This amount, together with interest at 6%, is receivable in equal quarterly instalments from January 1, 1975 to January 1, 1986 with

respect to the sale of the Company's telephone utilities in 1966 to an agency of the Federal Government of Brazil. Payments under the sale agreement carry the guarantee of that Government.

The Company is obligated to reinvest 75% of the principal in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year are included under current assets.

6. Long-term debt—Brazil

The amounts due to International Bank for Reconstruction and Development are evidenced by obligations of Light-Serviços de Eletricidade S.A. (Light) under an Obligors Agreement dated June 9, 1965, by various Loan Agreements, and by the following Collateral Trust Bonds of Brascan Limited:

	U.S. Equivalent
Series A—payable in U.S. dollars	\$ 2,017
Series B—payable in Canadian dollars	4,159
Series C—payable in French francs	<u>584</u>
	<u><u>\$ 6,760</u></u>

The foregoing amounts are secured by a floating charge on the assets of Light. In addition, all other long-term debt—Brazil (with the exception of supplier financing) is secured by debentures of Light carrying a floating charge on the assets of that company. These assets consist principally of utility plant in service, construction work in progress, materials and supplies, and approximately \$167,000 of current assets.

During 1973 Light arranged the following new financings:

- (i) a Can.\$26,500 secured loan due 1977 to 1988 from the Export Development Corporation of Canada, guaranteed by the Federative Republic of Brazil;
- (ii) a Can.\$4,500 secured loan, repayable in 1977 and 1978, from a Canadian chartered bank;
- (iii) a \$20,000 secured loan due 1976 to 1993 from the International Bank for Reconstruction and Development, guaranteed by the Federative Republic of Brazil.

No funds have as yet been drawn down under these arrangements.

7. Sukunka coal project

The Company, through Brascan Resources Limited, has acquired a gross 12 1/2% interest (7 1/2% interest on a fully diluted basis) in certain coal licences in the Sukunka property in British Columbia at a cost of approximately \$2,800. The Company has options to purchase a further 47 1/2% interest at a price of \$9,825 which are exercisable by the earlier of June 30, 1975 or three months after leases or permits have been issued and satisfactory arrangements have been agreed upon for the provision of port, loading and rail facilities. Under these options the property was to be developed as a joint venture owned 60% by the Company, through its subsidiaries, and 40% by Brameda Resources Limited.

Mine development expenditures of \$8,487, the major portion of which would be assumed by the joint venture upon exercise of the options, have been deferred at December 31, 1973.

In early 1973 a crown corporation of the Government of British Columbia entered into an agreement with Brameda Resources the effect of which is that the crown corporation will acquire the 40% interest of Brameda contingent upon Brascan Resources exercising its options.

Negotiations with the Government of British Columbia are continuing. The Company is also holding discussions with additional prospective equity partners. The future prospects of this project are contingent upon the results of all the foregoing negotiations, and the completion of the feasibility study indicating that it will be a viable project.

8. Exchange regulations

Remittances from Brazil are subject to the exchange regulations of that country. Inter-company interest and related sinking fund payments from the electric subsidiary together with payments under the telephone sale agreement are fully remittable in dollars. Dividend payments from the electric subsidiary, under current interpretation of the regulations, are 47.7% remittable in dollars (with the balance being available in cruzeiros in Brazil). Dividend payments from the Brazilian investment subsidiaries are partially remittable in dollars.

9. Unrealized balance of gas company assets

This represents the book value of the unrealized balance of the assets of the São Paulo gas service expropriated in 1967 and the net book value of the gas plant in Rio de Janeiro which was transferred to the State of Guanabara in 1969.

The compensation receivable for these assets has not yet been determined, but no material loss on final settlement is anticipated.

10. Exploration expenditures available for income tax purposes

Brascan Resources Limited has drilling and exploration expenditures in Canada amounting to approximately \$36,500 (arising both from its own operations and from those of other parties who have renounced in its favour the tax deductibility of similar expenditures made by them) which are available for application against such taxable income as may arise from its operations in the future.

11. Long-term receivable

This receivable, amounting to Can.\$19,150, is due in annual instalments ranging from Can.\$225 to Can.\$800 to July 1, 2005, without interest, and is carried at its discounted value of \$5,897 based on an assumed interest rate of 8%. The current portion of \$225 is included in current assets.

12. Subsidiaries acquired

During 1973 the Company acquired by offer and by direct purchase 1,232,770 common shares of Great Lakes Power Corporation Limited for a net cash consideration of \$36,704. An additional 3,361,774 common shares were acquired in October 1973 when the Company sold certain of its assets to Great Lakes Power (see note 13).

During 1973 the Company purchased, for \$32,461 cash, all the common shares of Western Minerals Ltd. The following net assets were acquired in these transactions, which have been accounted for as purchases as at June 30, 1973 for Great Lakes Power and as at May 31, 1973 for Western Minerals:

	Great Lakes Power	Western Minerals
Total net current assets plus		
Long-term assets	\$55,298	\$32,461
Total long-term liabilities	<u>18,123</u>	<u> </u>
Net assets acquired, at values assigned on purchase	37,175	32,461
Deduct minority interest	<u>471</u>	<u> </u>
Cash purchase price	<u><u>\$36,704</u></u>	<u><u>\$32,461</u></u>

13. Sale of assets to Great Lakes Power

In October 1973 the Company sold to its subsidiary, Great Lakes Power, its investments in John Labatt Limited and Hudson's Bay Company and all the outstanding shares of and certain intercompany advances to Brascan Resources Limited in return for the issue of notes, additional common shares and cumulative convertible redeemable preference shares of Great Lakes Power. Pursuant to an offer in December 1973 the Company exchanged 2,388 of the preference shares for 2,388 common shares of Great Lakes Power held by other parties. The remaining preference shares held by the Company were then converted to common shares. At December 31, 1973 the Company held 99.7% of the common shares of Great Lakes Power.

14. Subsequent event

In February 1974 the Company borrowed Can.\$25,000 from two banks repayable 1975 to 1980 at 1 1/4% above the minimum commercial bank lending rate in Canada.

The major portion of the proceeds of this loan, together with \$15,200 of the Deutsche mark bond issue proceeds, were used to retire the \$34,000 balance of long-term and \$5,000 of short-term bank indebtedness existing at December 31, 1973.

The Company's holdings of Brazilian Government-guaranteed obligations arising out of the telephone sale (note 5) may not be sold or pledged without the prior written consent of the lenders.

15. Oil and gas properties

The following is a summary of the cost of oil and gas properties by cost centre and the related accumulated depletion as at December 31, 1973:

	Cost of Assets	Accumulated Depletion	Net
Canada (excluding the Arctic)	\$29,215	\$ 1,392	\$27,823
Arctic	1,500		1,500
Foreign areas	154		154
	<u>\$30,869</u>	<u>\$ 1,392</u>	<u>\$29,477</u>

As at December 31, 1973 the Company's proven reserves in Western Canada are estimated at 208.3 billion cubic feet of gross raw gas and 4.3 million barrels of oil, and proven and probable reserves together are estimated at 565.1 billion cubic feet of gross raw gas and 5.9 million barrels of oil.

16. Share capital

In December 1973 supplementary letters patent were obtained redesignating the ordinary shares as Class A convertible ordinary shares without nominal or par value and increasing the authorized capital of the Company by the creation of Class B convertible shares without nominal or par value, the two classes ranking equally in all respects except that dividends declared on Class B shares may be paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when such dividends are received by shareholders.

During 1973, 136,738 Class A convertible ordinary shares were converted into Class B convertible ordinary shares. At December 31, 1973 the ordinary share capital of the Company consisted of the following:

	Authorized	Issued
Class A convertible	30,000,000	25,475,988
Class B convertible	30,000,000	136,738
Total	<u>60,000,000</u>	<u>25,612,726</u>

Dividends paid on Class B shares are equivalent to those paid on Class A shares after consideration of the special 15% tax currently being paid by the Company to create tax-paid undistributed surplus on hand from which Class B dividends are paid.

Dividends on ordinary shares in 1973 together with the related tax on undistributed income consisted of the following:

	1973	1972
Class A convertible (U.S. \$1.00 per share)	\$25,531	\$24,400
Class B convertible (U.S. \$0.213 per share)	29	
Related tax paid on undistributed income (U.S. \$0.037 per Class B share)	5	
	<u>\$25,565</u>	<u>\$24,400</u>

17. Remuneration of directors and officers

During 1973 the aggregate remuneration of the Company's directors as directors and the Company's officers as officers was as follows:

	Directors		Officers		Number of officers who were also directors
	Number	Amount	Number	Amount	
Paid by the Company	25	\$119	14	\$816	6
Paid by one subsidiary			1	93	1
Paid by another subsidiary			1	52	

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet and the statements of consolidated current assets and liabilities, property, plant and equipment and long-term debt of Brascan Limited and subsidiary companies as at December 31, 1973, and the statements of consolidated income, investment and industrial operations income, retained earnings and changes in consolidated financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 25, 1974

CLARKSON, GORDON & CO.
Chartered Accountants

Analysis of Consolidated Income by Currencies

for the years ended December 31
(Expressed in thousands of United States dollars)

	1973	1972
Dollar Components		
Net electric utility income—Brazil	\$ 23,742	\$ 21,411
Investment and industrial operations income:		
Canada and other	7,694	5,690
Brazil	6,250	5,489
Net investment and industrial operations income	13,944	11,179
General corporate expenses	(8,184)	(2,887)
Dollar component of net income for year	29,502	29,703
Cruzeiro Components		
Net electric utility income—Brazil	83,229	65,709
Investment and industrial operations income—Brazil	15,816	2,023
General corporate expenses	(2)	(15)
Cruzeiro component of net income for year	99,043	67,717
Net income per statement of consolidated income	\$128,545	\$ 97,420
Net income per ordinary share		
Dollar components	\$ 1.15	\$ 1.16
Cruzeiro components	3.87	2.64
	\$ 5.02	\$ 3.80

Analysis of Changes in Consolidated Financial Position by Currencies
for the years ended December 31
(Expressed in thousands of United States dollars)

	1973			1972		
	Dollars	Cruzeiros	Total	Dollars	Cruzeiros	Total
Funds Provided						
Funds provided from operations				\$ 29,502	\$ 99,043	\$128,545
Net income for year				1,725	29,972	31,697
Add (deduct):				(11,923)	(11,923)	(11,923)
Depreciation and depletion				(5,425)	(5,425)	(5,425)
Allowance for interest on funds used in construction						
Non-dividend portion of equity in income of corporate joint ventures						
Equity of minority shareholders after deducting dividends paid (1973—\$11,528; 1972—\$8,685)				(15)	13,541	13,526
Long-term borrowings excluding those incurred to finance acquisitions				31,212	125,208	156,420
Increase in holdings of minority shareholders				36,899	1,271	38,170
Sale of property, plant and equipment						
Current portion of sale price of telephone utilities				1,468	(7)	1,461
Decrease (increase) in loans and long-term financing contracts				(55)	2,840	2,785
Customer's contributions for line extensions						
Repayment of electric subsidiary debt to parent				5,000	(5,000)	308
Total funds provided				74,524	139,007	213,531
Funds Used						
Net funds used on acquisition of subsidiaries *				4,359		4,359
Expenditures on property, plant and equipment				7,049	128,894	135,943
Increase in non-utility investments				11,526	4,899	16,425
Reduction in long-term borrowings				375	5,595	5,970
Deferred mine development expenditures				3,893		3,893
Increase (decrease) in utility materials and supplies				572		572
Dividends—ordinary and preference				25,571		25,571
Miscellaneous changes in various assets and liabilities				1,647	249	1,896
Total funds used				54,420	140,209	194,629
Increase (decrease) in net current assets				20,104	(1,202)	18,902
Net current assets at beginning of year				32,217	74,530	106,747
Net current assets at end of year				\$ 52,321	\$ 73,328	\$ 125,649
*Net funds used on acquisition of subsidiaries—						
Net non-fund assets of subsidiaries acquired					\$ 68,359	\$ 68,359
Less long-term portion of borrowings incurred to finance acquisitions					64,000	64,000
					\$ 4,359	\$ 4,359

*Net funds used on acquisition of subsidiaries—

Net non-fund assets of subsidiaries acquired

Less long-term portion of borrowings incurred to finance acquisitions

Comparative Statement of Consolidated Income

for the years ended December 31
(Expressed in thousands of United States dollars)

	<u>1973</u>	<u>1972</u>
Electric utility—Brazil		
Operating revenues	<u>\$ 625,409</u>	<u>\$ 518,191</u>
Operating revenue deductions:		
Purchased power	<u>259,105</u>	202,634
Fuel oil	<u>5,046</u>	2,382
Salaries, wages and other operating expenses . . .	<u>143,499</u>	119,169
Depreciation	<u>28,921</u>	26,777
Reversion	<u>37,962</u>	32,860
	<u>474,533</u>	383,822
Operating income	<u>150,876</u>	134,369
Income deductions*	<u>43,905</u>	47,249
Net electric utility income—Brazil	<u>106,971</u>	87,120
Investment and industrial operations		
Canada and other*	<u>7,694</u>	5,652
Brazil*	<u>22,066</u>	7,550
	<u>29,760</u>	13,202
General corporate expenses	<u>8,186</u>	2,902
Net income before extraordinary items	<u>128,545</u>	97,420
Extraordinary items—credit (debit)		
Net income for year	<u>\$ 128,545</u>	\$ 97,420

*Including foreign exchange adjustments.

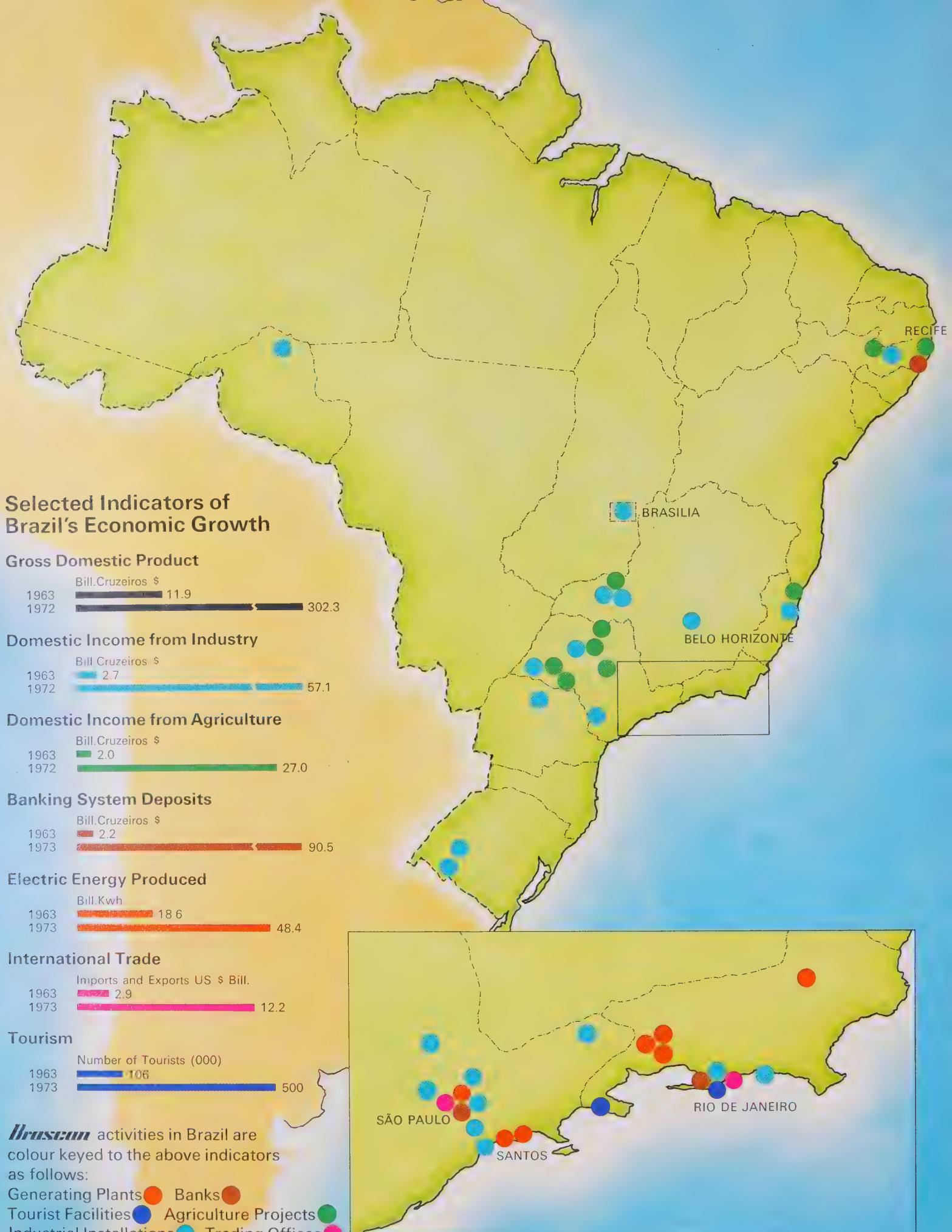
(In accordance with current accounting practice the \$18,815 loss on sale of the telephone utilities charged to retained earnings in 1965 would be classified as an extraordinary item.)

Operating Statistics of Light—Servicos de Eletricidade S.A.

	<u>1973</u>	<u>1972</u>
Kilowatt hours sold (millions)		
Residential	<u>5,433</u>	4,966
Commercial	<u>4,068</u>	3,662
Industrial	<u>12,761</u>	11,126
Public utilities and others	<u>2,695</u>	2,648
Total	<u>24,957</u>	22,402
Customers (thousands)		
Employees	<u>3,699</u>	3,485
Capacity of generating plants (kw thousands)		
Transmission lines (miles of circuit)	<u>2,119</u>	2,119
Distribution network lines (miles of wire)	<u>3,105</u>	2,962
Transformer capacity (kva thousands)	<u>174,853</u>	163,388
	<u>5,514</u>	4,961

1971	1970	1969	1968	1967	1966	1965
\$ 425,039	\$ 369,276	\$ 302,802	\$ 257,612	\$ 249,531	\$ 218,942	\$ 165,075
150,476	129,012	91,341	61,516	53,768	47,249	33,295
9,674	2,889	16,812	14,254	9,800	11,453	10,449
101,442	85,807	73,477	65,734	66,618	52,354	40,206
25,409	23,747	22,212	20,564	19,271	31,202	25,944
29,192	27,220	19,635	17,853	18,128	15,978	13,896
316,193	268,675	223,477	179,921	167,585	158,236	123,790
108,846	100,601	79,325	77,691	81,946	60,706	41,285
38,320	42,543	31,237	32,541	37,721	28,418	21,871
70,526	58,058	48,088	45,150	44,225	32,288	19,414
7,317	6,461	7,043	5,945	4,260	3,333	1,828
8,277	3,936	6,733	5,739	4,578	5,270	(64)
15,594	10,397	13,776	11,684	8,838	8,603	1,764
2,339	1,949	1,804	1,281	1,492	1,627	1,698
83,781	66,506	60,060	55,553	51,571	39,264	19,480
\$ 83,781	\$ 66,506	\$ 60,060	\$ 59,185	\$ 51,571	\$ 36,379	\$ 19,480

1971	1970	1969	1968	1967	1966	1965
4,651	4,162	3,882	3,504	3,145	2,862	2,642
3,278	3,037	2,827	2,554	2,266	2,149	2,032
9,972	8,585	8,090	7,209	6,262	6,131	5,313
2,409	2,135	2,081	2,062	1,972	1,655	1,654
20,310	17,919	16,880	15,329	13,645	12,797	11,641
3,273	3,056	2,847	2,662	2,535	2,403	2,285
25,866	25,216	24,549	23,449	22,949	21,562	19,319
2,119	2,119	2,121	2,121	2,148	2,147	2,147
2,932	2,818	2,779	2,668	2,650	2,534	2,504
149,300	137,613	123,334	112,515	104,062	97,036	91,873
4,421	4,119	3,564	3,190	2,846	2,504	2,285





(incorporated under the laws of Canada)

**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING
OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting of Shareholders of Brascan Limited will be held in the Ontario Room (Convention floor), Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Tuesday, June 5, 1973, at 11:00 a.m. (Eastern Daylight Time) for the following purposes:

1. to receive the report of the directors and the financial statements for the past fiscal year;
2. to elect directors;
3. to appoint auditors and authorize the directors to fix their remuneration;
4. to consider and if thought fit to sanction, with or without variation, By-law No. 31 enacted by the directors on March 20, 1973, being a by-law altering the capital of the Company, and authorizing an application for supplementary letters patent confirming the same; and
5. to transact such further and other business as may properly come before the meeting.

Only shareholders of record at the close of business on May 7, 1973, and bearers of share warrants issued on or prior to that date who shall have deposited the same in the manner referred to in the published notice of the meeting, will be entitled to vote or appoint a proxy to vote at the meeting. A proxy must be appointed by instrument in writing deposited with the Secretary of the Company on or before June 1, 1973.

If you are unable to attend the meeting in person, kindly sign the enclosed form of instrument appointing a proxy and return it to the head office of the Company, at the address below, as soon as possible. An envelope for the return of the proxy form is enclosed.

By Order of the Board.

L. A. ALLEN,
Secretary.

Box 48
Commerce Court Postal Station
Toronto, Canada M5L 1B7
May 1, 1973

NOTE: The proxy form is enclosed in the pocket of the large envelope.

PROXY INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Brascan Limited (the Company) of proxies to be used at the Annual and Special General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost and in the United States of America by Georgeson & Co., 100 Wall Street, New York, N.Y., at an anticipated cost of \$6,500.00. The total cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company on or before June 1, 1973.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company on or before the day preceding the day of the meeting or adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons named in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions contained therein and, in the absence of instructions, will be voted for the election of directors and the appointment of auditors as stated under those headings in this circular, and in favour of the resolution sanctioning By-law No. 31. With respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, such shares will be voted by the persons so designated in their discretion. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of the date of this circular, the Company has outstanding 25,612,726 ordinary shares without nominal or par value, each carrying the right to one vote per share, and 969 cumulative preference shares of the par value of \$100 each, carrying the right to eight votes per share, so that the aggregate number of votes attaching to all the outstanding shares is 25,620,478.

The directors have fixed May 7, 1973 as the record date for the determination of the persons entitled to vote at the meeting and accordingly the only persons entitled to attend and vote at the meeting or to be represented thereat by proxy will be (a) registered shareholders of record at the close of business on May 7, 1973 and (b) bearers of share warrants issued on or prior to the record date who shall have deposited the same and obtained a voting certificate in respect thereof in accordance with the conditions governing share warrants to bearer established by the by-laws of the Company and referred to in the published notice of the meeting.

ELECTION OF DIRECTORS

The board consists of twenty-two directors of whom, in accordance with By-law No. 30 which became effective on June 22, 1971, seven hold office until 1974, eight hold office until 1975, and seven are to be elected at the meeting to hold office until the annual meeting in 1976.

The following table sets out the name of each of the persons proposed to be nominated for election as a director to hold office until the annual meeting in 1976; all positions and offices in the Company now held by him; his principal occupation; the year in which he was first elected a director; and the approximate

number of shares of the Company that he has advised are beneficially owned by him, directly or indirectly, on the date hereof. The persons named in the enclosed form of proxy intend to vote for the election of the said nominees, all of whom except Mr. R. F. Lewarne are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

	<u>Became Director</u>	<u>Ordinary Shares</u>
THIERRY BARBEY, of Geneva, Switzerland, is Managing Partner of Lombard, Odier & Cie, investment bankers.	1965	1,452
PAUL G. DESMARAIS, of Montreal, Canada, is Chairman of the Board and Chief Executive Officer of Power Corporation of Canada, Limited, an investment and holding company.	1968	1,453
ANTONIO GALLOTTI, of Rio de Janeiro, Brazil, is President of Light—Serviços de Eletricidade S.A. in Brazil, and a Vice-President of the Company.	1956	21,180
J. PETER GRACE, of New York City, U.S.A., is Chairman of the Board of W. R. Grace & Co., a major industrial company with international chemical, food, consumer products and petroleum interests.	1959	1,452
N. E. HARDY, of London, Canada, is President of John Labatt Limited.	1970	8,241
R. F. LEWARNE, of London, Canada, is a Vice-President of the Company. Prior to joining the Company in 1972, he was a Senior Vice-President of John Labatt Limited, and prior thereto a Vice-President of that company.	—	3,749
WILLIAM G. MEESE, of Detroit, U.S.A., is President and Chief Executive Officer of The Detroit Edison Company, an electric utility.	1970	221

There is set out below the name of each person who is now a director and whose term of office will continue after the meeting; all positions and offices in the Company now held by him; his principal occupation; the year in which he was first elected a director; and, with the Note, the approximate number of shares of each class of the Company that he has advised are beneficially owned by him, directly or indirectly, on the date hereof.

<u>Holding office until the annual meeting in 1974:</u>	<u>Became Director</u>	<u>Ordinary Shares</u>
HERMANN J. ABS, of Frankfurt, Germany, is Chairman of the Supervisory Board of the Deutsche Bank AG.	1965	7,260
J. H. A'COURT, of Toronto, Canada, is Senior Financial Consultant to the Company.	1967	14,679
PIERRE ANSIAUX, of Brussels, Belgium, is a member of the Bar of the Supreme Court of Belgium.	1958	694
*HENRY BORDEN, of Toronto, Canada, one of Her Majesty's Counsel, is a director and member of the Executive Committee of Bell Canada.	1946	2,341
JOHN F. GALLAGHER, of Chicago, U.S.A., is Vice-President—International Operations, Sears, Roebuck and Co., retail merchants.	1965	1,705
LEWIS B. HARDER, of New York City, U.S.A., is Chairman of the Board of International Mining Corporation, and of Molybdenum Corporation of America, mining, refining and metal fabrication companies.	1965	145
*BEVERLEY MATTHEWS, of Toronto, Canada, one of Her Majesty's Counsel, is a partner of McCarthy & McCarthy.	1947	2,000

Holding office until the annual meeting in 1975:

E. C. FREEMAN-ATTWOOD, of Toronto, Canada, is Vice-President, Finance of the Company. Mr. Freeman-Attwood joined the Company in 1971 as Assistant Vice-President. From 1964 to 1971 he was Managing Partner, Arthur Young, Clarkson, Gordon & Co., in Brazil.	1973	100
LOUIS A.-LAPOINTE, of Montreal, Canada, one of Her Majesty's Counsel, is President and Chairman of the Board of Miron Company Ltd., manufacturers of cement and cement products, concrete suppliers and general contractors.	1969	497

	<u>Became Director</u>	<u>Ordinary Shares</u>
A. J. MACINTOSH, of Toronto, Canada, one of Her Majesty's Counsel, is a partner of Blake, Cassels & Graydon.	1970	242
*PAUL E. MANHEIM, of New York City, U.S.A., is a limited partner of Lehman Brothers, investment bankers.	1961	7,260
WILLIAM J. MANNING, of New York City, U.S.A., is a partner in the law firm of Simpson Thacher & Bartlett.	1970	1
*NEIL J. MCKINNON, of Toronto, Canada, is Chairman of the Board of Canadian Imperial Bank of Commerce.	1957	1,524
*J. H. MOORE, of London, Canada, is President of the Company.	1969	15,726
JOHN G. PHILLIMORE, of London, England, is a director of a number of companies.	1949	2,750

*Member of the Executive Committee

NOTE: In addition to ordinary shares, Mr. Beverley Matthews is the beneficial owner of 5 preference shares.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

- (1) Aggregate direct remuneration paid or payable by the Company in 1972 to the directors and officers of the Company was \$131,766 and \$666,924 respectively. Aggregate direct remuneration paid or payable to the officers of the Company was \$97,875 by one subsidiary, and \$13,252 by another.
- (2) Estimated aggregate cost to the Company and its subsidiaries in 1972 of all pension benefits proposed to be paid to the officers of the Company under any normal pension plan in the event of retirement at normal retirement age was \$8,616.
- (3) Maximum annual aggregate of all retirement allowances proposed to be paid in the future by the Company or any of its subsidiaries, pursuant to existing arrangements, to directors or officers of the Company (excluding payments under plans referred to in paragraph (2) and payments to be made for or benefits to be received from group life or accident insurance, group hospitalization or similar group benefits or payments) is \$16,629.

NOTE: Amounts shown are in United States Currency.

BY-LAW NO. 31

One of the purposes for which the meeting is being called is to consider and, if thought fit, to sanction By-law No. 31, a by-law for altering the capital of the Company, passed by the directors on March 20, 1973, a copy of which is attached hereto. The by-law provides for the reclassification of the existing 25,612,726 issued and outstanding and the 4,387,274 unissued Ordinary Shares without nominal or par value, comprising the present authorized Ordinary Share capital of the Company, as Class A Convertible Ordinary Shares (the "Class A shares"), and for an increase in the authorized capital of the Company by the creation of 30,000,000 Class B Convertible Ordinary Shares (the "Class B shares") without nominal or par value, and sets out the provisions attaching to each class of share. In order to take effect the by-law must be sanctioned by at least two-thirds of the votes cast at the meeting and must be confirmed by Supplementary Letters Patent.

As indicated in the text of By-law No. 31, the shares of each class will be voting, convertible into one another on a share-for-share basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes of shares will be that, in the case of the Class B shares, the directors may in their discretion determine that the cash dividends be paid out of two special tax accounts which are defined in the Canadian Income Tax Act (the "Act"). These accounts are either "tax paid undistributed surplus on hand" or "1971 capital surplus on hand" and dividends paid out of these accounts are referred to as tax-deferred dividends. If any cash dividend is declared on a Class B share the directors must declare at the same time a cash dividend on the Class A shares in an amount equal to the cash dividend being paid on the Class B shares plus, in case such a dividend is being paid out of tax paid undistributed surplus on hand, the amount of the tax that was paid to create the tax paid undistributed surplus applied toward the dividend on the Class B shares. That tax is at the rate of 15% so that a dividend out of tax paid undistributed surplus on hand on a Class B share would be 15% less than the equivalent dividend on a Class A share. Undistributed income on hand to the end of 1971 was sufficient to provide for tax-deferred dividends on the Class B shares for many years.

Income Tax Considerations

Whether a shareholder will wish to receive an ordinary dividend or a tax-deferred dividend will depend on both his taxation status and his rate of tax. To allow shareholders to select whichever method of

receiving dividends is more advantageous to them and to make changes if and when circumstances change, Class A shares are convertible into Class B shares and vice versa on a one-for-one basis. Accordingly, holders of Class A shares wishing to receive tax-deferred dividends rather than normal dividends will be able to convert their shares into Class B shares and holders of Class B shares wishing to receive normal dividends rather than tax-deferred dividends will be able to convert their shares into Class A shares.

Class A Shares—Normal Dividends

Shareholders who are individuals resident in Canada must include a normal dividend in income. They must also include as income an additional amount equal to one-third of the normal dividend received and will be eligible to a dividend tax credit in respect thereof. Normal dividends received by public corporations in Canada and tax-exempt shareholders such as pension trusts or trusts under registered retirement savings plans will not be subject to tax. Normal dividends received by private corporations resident in Canada may be subject to a 33½% tax which is generally refundable when dividends are paid by the private corporation subject to certain limitations imposed by the Act. Normal dividends paid to non-resident shareholders will be subject to a withholding tax at the rate of 10% until the beginning of 1976 when it is proposed that the rate of withholding tax for certain non-resident shareholders may be increased to 20% depending on the existence at that time of a tax treaty between Canada and the country in which the shareholder resides.

Class B Shares—Tax-deferred Dividends

By paying a 15% tax on a portion of its 1971 undistributed income on hand the Company can create tax paid undistributed surplus on hand. By electing to pay tax-deferred dividends out of such surplus the dividends are received by individuals resident in Canada, private Canadian corporations, public corporations, non-residents and tax-exempt persons free from immediate Canadian income taxes. The conditions attaching to the Class B shares provide that tax-deferred dividends if paid out of tax paid undistributed surplus on hand created by the Company will be 85% of the normal dividend to compensate for the 15% tax paid by the Company. The Company is required by the Act to eliminate its 1971 undistributed income on hand before paying tax-deferred dividends out of 1971 capital surplus on hand. The Company is not required to pay any tax on its 1971 capital surplus on hand and accordingly tax-deferred dividends paid out of 1971 capital surplus on hand will be 100% of the normal dividend.

The receipt of tax-deferred dividends will reduce the adjusted cost base of the shares by the amount of dividend received so that a tax, if any, is deferred generally until the shares are disposed of. The reduction in the cost base will have the effect of increasing the gain or decreasing the loss to be realized on the subsequent disposal of the shares.

The Company presently intends to pay tax-deferred dividends on its Class B shares. Based on the Company's current dividend rate, it will be a number of years before all of the existing 1971 undistributed income on hand has been tax paid and eliminated following which further tax-deferred dividends will be paid out of 1971 capital surplus on hand.

Conversions

Under a recent amendment to the Act a conversion of Class A shares into Class B shares, or vice versa, is deemed not to be a disposition for the purposes of computing taxable capital gains or losses and the cost to the taxpayer of the share received upon the conversion is deemed to be the adjusted cost base to him immediately before the surrender of the share converted. It should be noted, however, that under the Act the neutral zone for establishing the cost base of shares held prior to 1972 would cease to be available after conversion. Whether or not the elimination of the neutral zone would be disadvantageous to a shareholder would depend on that shareholder's individual circumstances. Conversion may also affect the future computation of 1971 capital surplus on hand or paid-up capital deficiency of corporate shareholders.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote in favour of a resolution reappointing Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration of the auditors.

Dated as of April 18, 1973.

BY-LAW NO. 31

A BY-LAW ALTERING THE CAPITAL OF THE COMPANY AND AUTHORIZING AN APPLICATION FOR SUPPLEMENTARY LETTERS PATENT.

WHEREAS by supplementary letters patent dated June 23, 1969 the authorized capital of the Company was declared to consist of Two thousand, nine hundred and forty (2,940) Six per Cent. Cumulative Preference Shares of the par value of One hundred dollars (\$100) each, Five million (5,000,000) Second Preferred Shares of the par value of Twenty dollars (\$20) each, and Thirty million (30,000,000) Ordinary Shares without nominal or par value;

AND WHEREAS Twenty-five million, six hundred and twelve thousand, seven hundred and twenty-six (25,612,726) Ordinary Shares without nominal or par value have been issued and are outstanding as fully paid;

AND WHEREAS it is expedient and in the interest of the Company that the capital of the Company be altered as hereinafter provided;

AND WHEREAS, in accordance with the conditions attaching thereto One thousand, nine hundred and seventy-one (1,971) of the Preference Shares have been converted into Ordinary Shares, and as required by the conditions attaching thereto one-sixth (1/6) of the said One thousand, nine hundred and seventy-one (1,971) Preference Shares (namely, Three hundred and twenty-eight and one-half (328½) Preference Shares) are held by the Secretary of the Company for the purpose of cancellation, leaving Nine hundred and sixty-nine (969) Preference Shares unconverted, and it is desired to reduce the capital of the Company by the cancellation of the said Three hundred and twenty-eight and one-half (328½) Preference Shares being held by the Secretary of the Company for that purpose.

Now THEREFORE BE IT ENACTED as a by-law of the Company as follows:

(1) Subject to confirmation of this by-law by supplementary letters patent:

- (a) the Thirty million (30,000,000) Ordinary Shares without nominal or par value are reclassified as Thirty million (30,000,000) Class A Convertible Ordinary Shares without nominal or par value;
- (b) the capital of the Company is increased by the creation of Thirty million (30,000,000) Class B Convertible Ordinary Shares without nominal or par value;
- (c) Three hundred and twenty-eight and one-half (328½) Six per Cent. Cumulative Preference Shares in the capital stock of the Company, heretofore transferred to the Secretary of the Company by the holders thereof respectively upon conversion of Six per Cent. Cumulative Preference Shares into Ordinary Shares pursuant to the conditions attaching thereto, are hereby cancelled and the authorized capital of the Company reduced accordingly without repayment therefor;

so that the authorized capital of the Company shall consist of Nine hundred and sixty-nine (969) Six per Cent. Cumulative Preference Shares of the par value of One hundred dollars (\$100) each, Five million (5,000,000) Second Preferred Shares of the par value of Twenty dollars (\$20) each, Thirty million (30,000,000) Class A Convertible Ordinary Shares without nominal or par value and Thirty million (30,000,000) Class B Convertible Ordinary Shares without nominal or par value (the said Class A Convertible Ordinary Shares and Class B Convertible Ordinary Shares are collectively referred to as "the Ordinary Shares"); provided that the aggregate consideration for the issue of the said Thirty million (30,000,000) Class A Convertible Ordinary Shares without nominal or par value and the said Thirty million (30,000,000) Class B Convertible Ordinary Shares without nominal or par value shall not exceed in amount or value the sum of Two hundred and twenty-five million dollars (\$225,000,000) or such greater amount as the Directors of the Company may deem expedient and may be authorized by the Minister of Consumer and Corporate Affairs of Canada on payment of the requisite fees applicable to such greater amount.

(2) Subject to the prior rights of the holders of the Six per Cent. Cumulative Preference Shares and the holders of the Second Preferred Shares, the Class A Convertible Ordinary Shares (hereinafter referred to as the "Class A Shares") and the Class B Convertible Ordinary Shares (hereinafter referred to as the "Class B Shares") shall carry and be subject to the following rights, restrictions, conditions and limitations:

- (a) subject to paragraph (b) hereof, the Class A Shares and the Class B Shares shall rank equally as to dividends and all dividends declared in any fiscal year shall be declared and paid in equal or equivalent amounts per share on all the Class A Shares and all the Class B Shares at the time outstanding without preference or distinction;
- (b) subject to the provisions of the Canada Corporations Act, in declaring dividends the Directors shall (unless in their discretion they consider it impracticable so to do) provide (without making any such provision in respect of the Class A Shares) for the payment, in whole or in part, of dividends on the Class B Shares by way of a cash dividend out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act (Canada) as from time to time in force, or as defined in any successor federal income tax statute; provided, however, that no such provision for payment may be made by the Directors in respect of any such dividend on the Class B Shares unless, contemporaneously with the making of such provision, the Directors declare an equivalent cash dividend, payable at the same time as the said dividend on the Class B Shares, on each Class A Share then outstanding; in such event the dividend paid on the Class B Shares shall, to the extent that such dividend is payable
 - (i) out of "tax-paid undistributed surplus on hand" be deemed for the purposes hereof to be the equivalent of the sum of
 - (A) the cash dividend payable at that time on each Class B Share, as the case may be, plus
 - (B) the amount of tax paid by the Company or any subsidiary of the Company under the Income Tax Act (Canada), as from time to time amended, to create the "tax-paid undistributed surplus on hand" in respect of the amount of such dividend per share to the nearest 1/10 of 1¢;
 - (ii) out of "1971 capital surplus on hand" be deemed for the purposes hereof to be the actual amount thereof;
- (c) each issued and fully-paid Class A Share may at any time, at the option of the holder, be converted into one (1) Class B Share. Each Class A Share so converted shall be restored by such conversion to the status of an authorized but unissued Class A Share in the capital of the Company. The conversion privilege herein provided for may be exercised by notice in writing given to a transfer agent of the Company accompanied by the certificate or certificates representing the Class A Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Company as the holder of Class A Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class A Shares which the holder desires to have converted. The holder shall also pay any governmental or other tax imposed in respect of such transaction. Upon receipt of such notice the Company shall issue certificates representing fully-paid Class B Shares upon the basis above prescribed and in accordance with the provisions hereof to the holder of the Class A Shares represented by the certificate or certificates accompanying such notice; if less than all the Class A Shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate for the Class A Shares representing the shares comprised in the original certificate which are not to be converted;
- (d) each issued and fully-paid Class B Share may at any time, at the option of the holder, be converted into one (1) Class A Share. Each Class B Share so converted shall be restored by such conversion to the status of an authorized but unissued Class B Share in the capital of the Company. The conversion privilege herein provided for may be exercised in the same manner as the conversion privilege provided for in paragraph (c) above and the provisions thereof shall mutatis mutandis apply;

- (e) all shares resulting from any conversion of issued and fully-paid Class A Shares into Class B Shares or any conversion of issued and fully-paid Class B Shares into Class A Shares as aforesaid shall be deemed to be fully-paid and non-assessable. The Company shall not issue any Class A Shares or Class B Shares if after such issue the number of authorized but unissued Class A Shares or Class B Shares would be insufficient to satisfy the conversion privileges in paragraphs (c) and (d) above in the event that all the shares of the other class outstanding were converted into Class A or Class B Shares in accordance with the provisions of such paragraphs;
- (f) each holder of Class A Shares or Class B Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company, except class meetings, and at all such meetings shall be entitled to one (1) vote in respect of each share of either class held by him;
- (g) in the event that the Class A Shares and/or Class B Shares are at any time subdivided, consolidated, converted (except for the conversion of Class A Shares into Class B Shares or Class B Shares into Class A Shares pursuant to paragraphs (c) and (d) above) or exchanged for a greater or lesser number of shares of the same or another class, appropriate adjustment shall be made in the provisions attaching to the Class A Shares and to the Class B Shares so as to maintain and preserve the rights of the holders of shares of each of the said classes respectively;
- (h) in the event of any liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Class A Shares and the holders of the Class B Shares shall be entitled to share equally, share for share, in all distributions of the assets of the Company;
- (i) subject to confirmation by supplementary letters patent, the Directors of the Company may at any time or from time to time pass a by-law or by-laws whereby the terms of this and the foregoing paragraphs may be altered, amended or repealed or the application thereof suspended in any particular case and changes made in the provisions attaching to the Class A Shares and Class B Shares respectively, but no such by-law shall be effective or acted upon unless and until sanctioned, at meetings of the holders of the Class A Shares and Class B Shares respectively, which may be held concurrently, called for considering such by-law or by-laws, by resolutions carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per Cent. (66 $\frac{2}{3}$ %) of the Class A Shares and of not less than sixty-six and two-thirds per Cent. (66 $\frac{2}{3}$ %) of the Class B Shares represented and voted at such meetings, respectively, such vote by each class to be taken separately, in addition to such other vote, if any, as may be required by the Canada Corporations Act. The formalities to be observed with respect to the giving of notice of any meeting of the Class A and/or Class B shareholders and the conduct thereof and the quorum therefor shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders.

ENACTED this 20th day of March, 1973.

WITNESS the corporate seal of the Company.



J. H. MOORE,
President

L. A. ALLEN,
Secretary

5. C.

L. A. ALLEN
le secrétaire,

J. H. MOORE
Le président,

TEMOIN Le secrétariat de la Compagnie.

ADOPTÉ le 20 mars 1973.

(c) n'importe quand, toute action de classe A mise en évidence et entièrement payée peut, au gré de son détenteur, être convertie en une (1) action de classe B. Chaque action A ainsi convertie retrouvera de ce fait dans la trésorerie de la Compagnie, le statut d'une action de classe A autorisée mais non émise. Ce privilège de la Compagnie peut être exercé par un avis écrit donné à un agent de transfert de ces actions laissées dans la trésorerie de la Compagnie, le statut d'une action de classe A autorisée mais non émise. La Compagnie, accueillant les actions de la classe A pour lesquelles leur détenteur désire exercer ce droit de conversion. Ces avis seraient signés par la personne inscrite aux livres de la Compagnie comme détenteur desdites actions, ou par son mandataire légal dûment autorisé, et il y sera spécifié le nombre d'actions de classe A que le détenteur désire voir convertir. Le détenteur acquittera également toute taxe gouvernementale ou autre relative à cette transaction. Sur réception de cet avis, la Compagnie émettra des certificats représentant les actions entièrement payées de classe B, sur la base prescrite ci-dessus et conformément aux dispositions des présentes, au nom du détenteur B, sur la base prescrite ci-dessus et conformément aux dispositions des présentes, au nom du détenteur des actions de classe A représentées par les certificats accompagnant l'édit avis, au cas où la conversion porterait sur un nombre d'actions inférieur à la totalité des actions représentées par un des certificats, le détenteur pourra recevoir un nouveau certificat représentant les actions de la classe A comprises dans le certificat original qui ne doivent pas être converties;

(d) chaque action de la classe B mise en évidence et entièrement payée peut, au gré du détenteur, être convertie en une (1) action de classe A. Chaque action ainsi convertie retrouvera de ce fait dans le capital de la Compagnie le statut d'une action de classe B autorisée mais non émise. Ce privilège de conversion peut être exercé dans le paragraphe (c), ci-dessus, dont les dispositions, mutatis mutandis, s'appliqueront;

reel du dividende;

(iii) à même „le surplus en main de capital 1971“, censé constituer aux fins des présentes, le montant

dividende par action, à 1/10 de cents près;

termes de la Loi de l'impôt sur le revenu (Canada) telle qu'amendée de temps à autre, en vertu de créer le «surplus en main non distribué libéré d'impôt» relatif au montant de ce

(B) et du montant d'impôt payé par la Compagnie ou n'impose laquelle de ses filiales, aux

(A) du dividende en espèces payable à ce moment pour chaque action de la classe B, selon le cas;

(i) à même „le surplus en main non distribué libéré d’impôt“, censé être équivalent, aux fins des présentations, à la somme

dividende versé pour les actions de la classe B sera, dans la mesure où ce dividende est payé

la classe B sans que, en même temps, ils ne déclarent un dividende équivalant en espèces, payable au même moment, pour chaque action de classe A alors en circulation; dans cette éventualité, le

statut fédéral suscité un concertation l'impost sur le revenu; pourvu, cependant, qu'aucune disposition de paixement de ce genre ne soit prise par les administrateurs concernant ces dividendes d'actions de

main non distingue libére d'impôt, ou à même le surplus en main du capital 1971, tels que définis dans tout la Loi de l'impôt sur le revenu (Canada) et en vigueur de temps à autre, ou tels que définis dans tout

la même disposition à l'égard des actions de la classe A) le paiement, en totalité ou en partie, de dividende pour les actions de la classe B sous forme de dividendes en espèces à même le surplus en

sous réserve des dispositions contenues dans la Loi des Corporations du Canada, les administrateurs peuvent, en déclarant des dividendes (à moins qu'ils ne l'estiment impraticables) prévoir (sans prendre

quel exercice, seront décidées par les monarques égaux ou équivauts pour chaque action de classe A ou de classe B en circonscription à cette époque, sans préférence ni distinction;

classé B auront le même rang en ce qui concerne les dividendes. Tous les dividendes, pour n'importe

ut susettes aux droits, restrictions, conditions et limites ci-après :

Sous réserve des droits acquis des détenteurs d'actions privilégiées six pour cent cumulatif et d'actions secondaires, les actions ordinaires convertibles six pour cent cumulatif et d'actions ordinaires convertibles de la classe A (ci-après appelées "actions de la classe A") et les actions ordinaires convertibles de la classe B (ci-après appelées "actions de la classe B")

Le capital autorisé de la Compagnie sera donc constitué de : neuvième cent sixante-neuf (969) actions privilégiées six pour cent cumulatif d'une valeur au pair de cent dollars (\$100) chacune, cinq millions (5,000,000) d'actions privilégiées secondaires d'une valeur au pair de vingt dollars (\$20) chacune, et trente millions (30,000,000) d'actions ordinaires convertibles de classe A sans valeur nominale au pair, et trente millions (30,000,000) d'actions ordinaires convertibles de classe B sans valeur nominale au pair (lesdites actions ordinaires convertibles, de classe A et B, sont désignées globalement comme „les actions ordinaires“); pourvu que le montant global de l'émission desdites millions (30,000,000) d'actions ordinaires convertibles de classe A sans valeur nominale au pair ne dépasse pas la valeur de deux cent vingt-cinq millions de dollars (\$225,000,000), ou tout montant plus élevé que les administrateurs de la Compagnie pourraient juger opportun et qui sera autorisé par le ministre de la Consommation et des Corporations du Canada, sur paiement des droits de la compagnie.

correspondant;

(c) trois cent vingt-huit et demi (328 1/2) actions privilégiées à dividende cumulatif six pour cent, du capital-actions de la Compagnie, antérieurement transférées au secrétaire de la Compagnie par leurs détenteurs respectifs lors de la conversion des actions privilégiées à dividende cumulatif six pour cent en actions ordinaires, selon les conditions y rapportant, soit annulées par les présentes et le capital autorisé de la Compagnie est réduit d'autant sans remboursement

(b) Le capital de la Compagnie est augmenté par la création de trente millions (30,000,000) d'actions ordinaires convertibles de classe B sans valeur nominale ou au par;

(a) les trente millions (30,000,000) d'actions ordinaires sans valeur nominale ou au pair sont reclasifiées en trente millions (30,000,000) d'actions ordinaires convertibles de classe A sans valeur nominale ou au pair;

(1) Sous réserve de confirmation de ce Règlement par lettres patentes supplémentaires:

ET ATTENDU que, conformément aux conditions s'y rapportant, mille neuf cent soixante et onze (1,911) des actions privilégiées ont été converties en actions ordinaires, et que d'après les stipulations s'y rapportant, un sixième (1/6) desdites mille neuf cent soixante et onze (1,971) actions privilégiées (c'est-à-dire trois cent vingt-huit et demié (328 1/2) actions privilégiées) sont entre les mains du secrétaire de la Compagnie pour fins d'amnulation, laissant neuf cent soixante-neuf (969) actions privilégiées non converties, et qu'il est désirable de redire que la Capital de la Compagnie par l'amnulation desdites trois cent vingt-huit et demié (328 1/2) actions privilégiées actuellement entre les mains du secrétaire de la Compagnie,

ET ATTENDU QUE il est opportun et dans l'intérêt de la compagnie de modifier son capital de la façon décrite à la suite;

ET ATTENDU que vingt-cinq millions six cent douze mille sept cent vingt-six (25,612,726) actions ordinaires sans valeur nominale ou au pair ont été émises et sont en circulation comme entièrement payées;

ATTENDU que, par lettres patentes supplémentaires datées du 23 juin 1969, le capital autorisé de la Com-
pagne a été déclaré comprendre deux mille neuf cent quarante (2,940) actions privilégiées à dividende
cumulatif six pour cent, d'une valeur au pair de cent dollars (\$100) chacune, cinq millions (5,000,000)
d'actions privilégiées secondaires d'une valeur au pair de vingt dollars (\$20) chacune, et trente millions
(30,000,000) d'actions ordinaires sans valeur nominale ou au pair;

REGLEMENT MODIFIANT LE CAPITAL DE LA COMPAGNIE ET AUTORISANT UNE DEMANDE DE LETTRES PATENTES SUPPLEMENTAIRES.

Les personnes désignées dans la formule de procuration ci-jointe ont l'intention de voter en faveur d'une résolution progrèsant les fonctions de M.M. Clarkson, Gordon & Co., Compétables agrées, comme vice-présidents de la Compagnie jusqu'à la prochaine assemblée annuelle des actionnaires, et autorisant les membres du Conseil à fixer la remunération des vérificateurs.

NOMINATION DES VERIFICATEURS

Aux termes d'un amendement récent à la Loi, la conversion d'actions de classe A en actions de classe B, ou vice versa, n'est pas considérée comme une disposition en vue d'établir les gains ou les pertes en capital imposables, et que le coût au contribuable des actions reçues à la conversion est sensé être la base de toute acquisition immédiatelement suivant la remise des actions converties. Il faut cependant noter que, aux termes de la Loi, la zone neutre pour l'établissement de cotisations détenues avant 1972 cessera d'être applicable après la conversion. Que la suppression soit avantageuse ou non pour l'actionnaire dépendra alors de la situation particulière de cet actionnaire. La conversion peut également affecter l'établissement futur du surplus en main de capital 1971, ou du déchet du capital libéré des compagnies actionnaires.

Conversations

Actuellement la Compagnie compte verser des dividendes à imposition différenciée sur ses actions de classe B. En tablant sur le taux de dividende courant de la Compagnie, il se pourrait un certain nombre d'années avant que la totalité du revenu en main non distribuée de 1971 n'ait été libérée d'impôt et suppliée, après quoi d'autres dividendes à imposition différenciée seront versés à même le surplus de capital 1971 en main.

Les conditions différentes aux actions de la classe B stipulent que les dividendes à imposition différente, si elles sont payées à même le surplus en main non distribuée libérée d'impôt massive par la Compagnie, s'élèveront à 85% du dividende normal, pour compenser le 15% d'impôt payé par la Compagnie. Cette dernière est rendue par la Loi d'Éliminer son revenu en main non distribuée de 1971 avant de payer des dividendes à une imposition différente à même le surplus de capital 1971 en main représentant 100% du dividende ordinaire.

La réception de dividendes à imposition différente redurra la base du court ajusté des actions d'un montant égal au dividende reçu, en sorte que l'impôt, s'il y en a, sera différé jusqu'à la cessation des actions. La réduction de la base du court aura pour effet d'augmenter le gain ou de diminuer le déchet réalisable éventuellement sur la cessation subséquente des actions.

Actions de classe et dynamiques d'impulsion au sein de la partie de son rôle

Les actionnaires particuliers résidant au Canada doivent inclure un dividende ordinaire comme revenu un montant supplémentaire égal au tiers du dividende ordinaire régulier et à ce montant droit la-dessus à un degrélement d'impôt. Les dividendes ordinaires régulier et les dividendes ordinaires exceptionnelles sont déclarés par les corporations publiques au Canada ainsi que par des actionnaires ordinaires réguliers et les dividendes ordinaires exceptionnelles sont déclarés par les actionnaires ordinaires exceptionnelles. Les dividendes ordinaires possibles sont déclarés par des compagnies privées avec siège au Canada pour éviter de perdre des dividendes ordinaires de certaines compagnies privées avec siège au Canada qui ont été assujettis à un impôt de 33 1/3 %. Généralement remboursable quand ces compagnies versent les dividendes, sous réserve de certaines restrictions fixées par la loi. Les dividendes ordinaires peuvent être assujettis à un impôt de 20 %. Sous réserve de la rétention à la source de 10 % jusqu'au début de 1976, actionnaires non résidents servent certains intérêts à une source à la source pour certains actionnaires non résidents éponges à laquelle il est proposé que le taux de la rétention à la source de 10 % jusqu'au début de 1976, puisse être porté à 20 %. Sous réserve de l'existence à cette époque d'accords fiscaux entre le Canada et les pays ou réside l'actionnaire.

Actions de Classe A—Dividendes ordinaires

et vice versa, action pour action. En conséquence, les détenteurs d'actions de la classe A des titres de recevoir des dividendes ordinaires pluttôt qu'à l'imposition différente pourront convertir leurs actions en actions de classe A.

Considérations concernant l'impôt sur le revenu

LE RÈGLEMENT No 31

Collection(s) *setabut a \$16,629.*

(1) La remunération globale versée ou à verser par la Compagnie pour 1912, aux administrateurs et aux membres du personnel de haute direction de la Compagnie se chiffre par \$13,766 et \$666,924 respectivement. La remunération globale directe versée ou à verser aux membres du personnel de haute direction de la Compagnie s'élèvait à \$97,875 pour une filiale et à \$13,252 pour une autre.

(2) Le coût global estimatif, pour la Compagnie et ses filiales, de toutes les dépenses de personnel de payer aux membres du personnel de haute direction de la Compagnie, aux termes de tout règlement de retraite normal, en cas de retraite à l'âge normal de la retraite, est, pour 1912, de \$8,616.

(3) Le total annuel maximum de toutes les dépenses de retraite que la Compagnie ou n'impose laquelle de ses filiales se proposent de payer à l'avenir, aux termes de dispositions actuelles, aux administrateurs et aux membres du personnel de haute direction de la Compagnie, aux termes de toutes les dépenses de retraite normale, en cas de retraite à l'âge normal de la retraite, est, pour 1912, de \$8,616.

MEMBRES DU PERSONNEL DE HAUTE DIRECTION
REMUNERATION DES ADMINISTRATEURS ET BES

ORDINAIRES	Actions ordinaires	Admission au conseil	Depuis
1,524	1957	Canadaienne Impériale de Commerce.	*NEIL J. MCKINNON, de Toronto, Canada, est président du conseil de la Banque
1,526	1969	J. H. Moore, de London, Canada, est président de la Compagnie.	*J. H. Moore, de London, Canada, est président de la Compagnie.
15,726	1969	JOHN G. Philpott, de London, Canada, est président de la Compagnie.	JOHN G. Philpott, de London, Canada, est président de la Compagnie.
2,750	1949	Sociétés.	Sociétés.
*Membre du comité exécutif.		Note: Outre ses actions ordinaires, M. Beverley Mathews détient à titre bénéficiaire, à la date des présentes, 5 actions privilégiées de la Compagnie.	

En fonction jusqu'à l'assemblée annuelle de 1974:		
Actions ordinaires	Actions ordinaires depuis	Administrateur
THIERRY BARBEY, de Genève, Suisse, est associé gérant de Lombard, Odier & Cie,	1,452	Administrateur depuis
Paul G. DESMARAIS, de Montréal, Canada, est président du conseil et chef de la direction de Power Corporation of Canada, Limited, société de placement qui sont tous actuellement à l'exception de M. R. F. Lewarne, membres du Conseil d'administration des designers dans la formule de procuration ci-jointe à l'intention de voter pour l'élection desdits candidats qui ont été depuis les dates indiquées. La direction n'envisage pas d'autre candidat désigné soit incapable d'assumer ses fonctions mais, si cela se produisait pour n'importer quelle raison, avant l'assemblée, les personnes désignées dans la formule de procuration se réservent le droit de voter pour tout autre candidat de leur choix.	1,453	Administrateur depuis
ANTONIO GALLOTTI, de Rio de Janeiro, Brésil, est président de Ligit-Serviços de centrale. Eletricidade S.A., au Brésil, est vice-président de la Compagnie.	21,180	Administrateur depuis
J. Peter GRACE de New York, E.-U., est président de W. R. Grace & Co., importateur chimiques, alimentaires, de consommation et pétrolières sur le plan international.	1,452	Administrateur depuis
N. E. HARDY, de London, Canada, est président de John Labatt Limited.	8,241	Administrateur depuis
R. F. LEWARNE, de London, Canada, est un des vice-présidents de la Compagnie.	—	Administrateur depuis
William G. MEESE, de Detroit, E.-U., est président et directeur administratif d'Avant de se joindre à celle-ci, en 1972, il était vice-président principal de John Labatt Limited et, avant cela, un des vice-présidents de cette même compagnie.	3,749	Administrateur depuis
Genéral de The Detroit Edison Company, entreprise de services publics d'électricité.	221	Administrateur depuis
On trouvera ci-dessous le nom de toutes les personnes qui font actuellement partie du Conseil et qui resteront en fonction après l'assemblée, ainsi que tous les emplois et positions qu'elles détiennent à la compagnie, leur occupation principale, l'année où elles ont été élues pour la première fois au Conseil et, avec la Note, le nombre approximatif d'actions de chaque classe, de la compagnie, dont elles ont rapporté être détenues à titre bénéficiaire, directement ou indirectement, à la date des présentes.	1970	Administrateur depuis
HERMANN J. ABS de Francfort, Allemagne, est président du conseil de surveillance de la Deutsche Bank AG.	1965	Administrateur depuis
J. H. ACOURT, de Toronto, Canada, est conseiller financier principal de la compagnie.	14,679	Administrateur depuis
Pierre ANSIAUX, de Bruxelles, Belgique, est membre du Bureau de la Cour de cassation de Belgique.	1967	Administrateur depuis
*HENRY BORDER, de Toronto, Canada, Conseiller de la Reine, est administrateur et membre du comité exécutif de Bell Canada.	1946	Administrateur depuis
JOHN F. GALLAGHER, de Chicago, E.-U., est vice-président, opérations internationales, de Sears, Roebuck and Co., marchands détaillants.	1,705	Administrateur depuis
LEWIS B. HARDER, de New York, E.-U., est président du conseil d'international Mining Corporation et de Moybdenum Corporation of America, sociétés d'ex-ploration minière, de ramassage et de transformation des métaux.	1965	Administrateur depuis
*BEVERLY MATTHEWS de Toronto, Canada, Conseiller de la Reine, est associé de E.C. FREEMAN-ATTWOOD, de Toronto, Canada, est vice-président, Services financiers, de la Compagnie. M. Freeman-Attwood est entré à la Compagnie en 1971 en qualité de vice-président adjoint, Services financiers. De 1964 à 1971, il a été Louis A.-LAPORTNE, de Montréal, Canada, Conseiller de la Reine, est président et président du conseil de la Compagnie Mirron Ltée, fabricants de ciment et de produits en ciment, fournis à la Compagnie Mirron Ltée, est associé de Blake, Cassels & Graydon.	1973	Administrateur depuis
A. J. MACINTOSH, de Toronto, Canada, Conseiller de la Reine, est associé de Paul E. MANHEIM, de New York, E.-U., est associé commanditaire de Lehman Brothers, banduiers en valeurs mobilières.	1970	Administrateur depuis
WILLIAM J. MANNING, de New York, E.-U., est associé de Simpson Thacher & Bartlett (avocats).	1961	Administrateur depuis
242	1970	Administrateur depuis
497	1969	Administrateur depuis
7,260	1961	Administrateur depuis
1	1970	Administrateur depuis

En fonction jusqu'à l'assemblée annuelle de 1975:

En fonction jusqu'à l'assemblée annuelle de 1975:		
Actions ordinaires	Actions ordinaires depuis	Administrateur
McCarthy & McCarthy.	2,000	Administrateur depuis
*BEVERLY MATTHEWS de Toronto, Canada, Conseiller de la Reine, est associé de Lewis B. Harder, de New York, E.-U., est président du conseil d'international Mining Corporation et de Moybdenum Corporation of America, sociétés d'ex-ploration minière, de ramassage et de transformation des métaux.	1965	Administrateur depuis
JOHN F. GALLAGHER, de Chicago, E.-U., est vice-président, opérations internationales, de Sears, Roebuck and Co., marchands détaillants.	1965	Administrateur depuis
*HENRY BORDER, de Bruxelles, Belgique, est membre du Bureau de la Cour de cassation de Belgique.	2,341	Administrateur depuis
Pierre ANSIAUX, de Bruxelles, Belgique, est membre du Bureau de la Cour de cassation de Belgique.	1958	Administrateur depuis
J. H. ACOURT, de Toronto, Canada, est conseiller financier principal de la compagnie.	1967	Administrateur depuis
J. H. ACOURT, de Toronto, Canada, est vice-président, administrateur et membre du comité exécutif de Bell Canada.	1946	Administrateur depuis
LEWIS B. HARDER, de New York, E.-U., est président du conseil d'international Mining Corporation et de Moybdenum Corporation of America, sociétés d'ex-ploration minière, de ramassage et de transformation des métaux.	1965	Administrateur depuis
*BEVERLY MATTHEWS de Toronto, Canada, Conseiller de la Reine, est associé de E.C. FREEMAN-ATTWOOD, de Toronto, Canada, est vice-président, Services financiers, de la Compagnie. M. Freeman-Attwood est entré à la Compagnie en 1971 en qualité de vice-président adjoint, Services financiers. De 1964 à 1971, il a été Louis A.-LAPORTNE, de Montréal, Canada, Conseiller de la Reine, est président et président du conseil de la Compagnie Mirron Ltée, fabricants de ciment et de produits en ciment, fournis à la Compagnie Mirron Ltée, est associé de Blake, Cassels & Graydon.	1973	Administrateur depuis
WILLIAM J. MANNING, de New York, E.-U., est associé de Simpson Thacher & Bartlett (avocats).	1970	Administrateur depuis
242	1970	Administrateur depuis
497	1969	Administrateur depuis
7,260	1961	Administrateur depuis
1	1970	Administrateur depuis

Le tableau ci-après donne les noms de toutes les personnes proposées à l'élection comme administrateurs de la convolution annuelle de 1976, les postures et fonctions actuelles occupées par chacune d'elles à la Compagnie, leur occupation principale, l'année où elles ont été élues pour la première fois au Conseil, ainsi que le nombre approximatif d'actions de chaque classe, de la Compagnie, dont elles ont rapporté être les possesseurs à titre bénéficiaire, directement ou indirectement, à la date des présentes. Les personnes

Le Comité d'administration comprend vingt-deux membres dont, notamment, le Réglement No 30 en vigueur depuis le 22 juin 1971, sept sont en fonction jusqu'en 1974, huit jusqu'en 1975, et sept doivent être élus lors de l'assemblée et consérvent leurs fonctions jusqu'à la convocation annuelle de 1976.

ELECTION DES ADMINISTRATEURS

ET PRINCIPAUX DÉTENTEURS DES CÉS ACTIONS
ACTION AUGMENTÉES EST ATTACHEE LE DROIT DE VOTE

Les actions représentées par des procurations délivrées en l'avant des personnes désignées dans la formule de procuration ci-jointe voteraont, ou seront empêchées de voter, d'après les instructions de ladite formule. A défaut d'instructions, elles voteront en faveur de l'élection des administrateurs et de la nomination des vérificateurs, de la mani ère prévue sous les titres correspondants de cette circulaire, ainsi qu'en faveur de l'assemblée générale qui délivrera la résolution sanctionnant le règlement No 31. Relativement aux modifications ou amendements à des questions mentionnées dans l'avis de convocation, et relativement aux autres questions dont l'assemblée pourra être délivrée dans l'avis de convocation, les personnes ainsi nommées exercent, selon leur pouvoir discrétionnaire, le droit de vote accordé auxdites actions. Au moment de l'impression de la présente circulaire, la direction de la compagnie n'est informée d'aucune modification, amendement ou autre question de cette nature dont l'assemblée doit être saisie.

NOMINATION DES PROCUREURS ET REVOCATION DES PROCURATIONS

La présente circulaire d'information vous est envoyée relativement à la demande de procurations de la direction de Brascan Limited (la Compagnie) pour l'assemblée générale annuelle et extraordinaire des actionnaires de la Compagnie qui se tiendra au jour, à l'heure et à l'endroit, ainsi que pour les fins qu'indique l'avis de convocation. Il y a lieu de préciser que cette demande de procurations sera traitée par la poste, mais elle pourra être déposée en personne, par des employés permanents de la Compagnie, à peu de frais et, aux Etats-Unis d'Amérique, par Georgeson & Co., 100 Wall Street, New York (N.Y.).

DEMANDE DE PROCURATIONS

CIRCULAIRE D'INFORMATION SUR LES PROCURATIONS

REMARQUE: La formule de procuration se trouve dans la pochette de la grande enveloppe.

Box 48

Le 1er mai 1973

Commerce Court Postal Station
Toronto, Canada M5L 1B7

L. A. ALLEN

Le Secrétaire,

Au nom du Conseil,

Seuls les actionnaires en régle à la fermeture des marchés, le 7 mai 1973, ainsi que les porteurs de certificats d'actions émis, au plus tard, à cette date et qui les auront déposés de la manière prescrite dans l'avis public d'assemblée auront le droit de voter ou de désigner un mandataire pour voter à leur place. Les mandataires d'assemblée auront le droit de voter ou de désigner un mandataire pour voter à leur place. Les mandataires d'assemblée sont priés de signer la formule de personnes incapables d'assister personnellement à l'assemblée soit par procuration ci-jointe et de la retourner aussitôt que possible au siège social de la compagnie, à l'adresse ci-dessous. Une enveloppe de réponse adressée est jointe aux présentes.

5. Traiter de tous autres sujets qui seraient dûment présentés à l'assemblée.

3. Nomination des vérificateurs et autorisation aux administrateurs de fixer leur rémunération ;

4. Etudier et sanctionner, si on le juge opportun, avec ou sans modifications, le Règlement No 31 établi par les administrateurs, le 20 mars 1973, en vue de modifier le capital de la Compagnie et d'autoriser la demande de lettres patentes confirmant ledit changement ; et

AVIS EST DONNÉ PAR LES PRESSENTES que l'assembliée annuelle, générale et spéciale, des actionnaires de Brascan Limited se tiendra dans la salle Ontario (étage des congrès) de l'hôtel Royal York, 100 Front Street West, Toronto, Ontario, le mardi 5 juin 1973 à 11 heures (heure avancée de l'Est), avec l'ordre du jour ci-après :

1. Présentation du rapport des administrateurs et des états financiers pour l'exercice fiscal écoulé;

AVIS D'ASSEMBLÉE ANNUELLE GÉNÉRALE ET SPÉCIALE DES ACTIONNAIRES

(constitue d'après les lois du Canada)

Brascan LIMITED

Earnings

Under Brazil's "service at cost" system, the Company's allowable operating revenues from its electric utility service are based on the recovery of allowable costs, plus a return on the rate base. These can only be determined annually, after the end of the year, and as a result, for any interim period, can only be estimated. Any revenue which exceeds allowable levels is excluded from income, as it is available only for the purpose of meeting deficiencies of earnings, or establishing rates in subsequent years. However, any deficiencies of earnings are only recoverable from future rates, and are taken into income when received.

Currency

Currency figures are expressed in United States dollars. The Company's procedures for translating revenue and expense items from cruzeiros into dollars are based on exchange rates which closely approximate average free market rates of exchange for the period under review. Because the cruzeiro/dollar rate changes periodically under the system of moving exchange rates, dollar equivalents of cruzeiro items in the Company's interim statements vary from period to period within a year.

In the current statement, cruzeiros were translated at Cr\$6.103 to the dollar vs. Cr\$5.822 a year ago.

Estimates

Because of the variables and adjustments noted above, the Company's operating revenues for the six months ended June 30, 1973 can only be estimated.

Comparative Figures

The 1972 figures have been reclassified to conform with the presentation in the 1972 annual report and restated to reflect the consolidation of the accounts of three subsidiaries not previously consolidated in the interim results. The inclusion of these subsidiaries reduced net income for the six months ended June 30, 1972 by \$136.

INTERIM REPORT**TO THE****SHAREHOLDERS****six months ended****June 30, 1973**



TO THE SHAREHOLDERS

EARNINGS

Consolidated net income for the six months ended June 30, 1973 is estimated at \$50.5 million or \$1.99 per ordinary share before unrealized gains on exchange of \$11.6 million or 46 cents per ordinary share.

This compares with \$47.4 million or \$1.85 per ordinary share before unrealized gains on exchange of \$2.3 million or 9 cents per ordinary share for the same period in 1972.

The unusually large exchange gain in 1973 is because the revaluation of the cruzeiro during the period (Cr \$6.215 at December 31, 1972 to Cr \$6.100 at June 30, 1973) has been more than offset by the devaluation of the U.S. dollar.

BRAZILIAN ECONOMY

Further growth and stability was demonstrated by the Brazilian economy during the first six months of 1973. Foreign exchange reserves reached \$5,800 million by the end of June 1973. Exports are estimated at \$2,640 million, 47.8% more than the same period last year. The rate of inflation for the first six months of the year (as measured by the cost of living indices in the State of Guanabara) was 6.8% compared with 8% during the first half of 1972.

BRAZILIAN ELECTRIC OPERATIONS

Electric sales of Light S.A. (the Company's

Brazilian electric subsidiary) during the period under review were 12,007 million kwh, an increase of 10.5% over the same period last year.

Electric rates were adjusted on June 1, 1973 to a basis that should produce operating revenues for the period June 1 to December 31, 1973 to cover the estimated cost of service for that seven-month period.

Expenditures and commitments under Light's capital expenditure program totalled \$92 million for the six months. The forecast of capital requirements is currently being re-evaluated in connection with the Federal Government's program for the electric sector, and it is anticipated that required expenditures will increase over the figures previously forecast. Expenditures for the period July 1, 1973 to December 31, 1974 are provisionally estimated at \$300 million. Capital expenditures will be financed out of retained earnings, other cruzeiro funds and from outside borrowings. In April 1973 Light arranged a loan from International Bank for Reconstruction and Development (World Bank) of \$20 million.

CANADIAN INVESTMENTS

Earnings of John Labatt Limited, the Company's principal Canadian investment, before extraordinary items amounted to Can. \$20.1 million or Can. \$1.90 per common share for the fiscal year ended April 30, 1973 compared with Can. \$17.3 million for the previous year or Can. \$1.58 per common share, an increase of 16.2%.

Extraordinary charges, amounting to Can. \$2.6 million or Can. 29 cents per common share, were incurred during the period. The previous year an extraordinary loss of Can. \$3.3 million or Can. 37 cents per common share was experienced. Labatt beer sales volume in Canada grew by 8.9% during the year compared to a 5.5% increase for the Canadian brewing industry as a whole.

GREAT LAKES POWER CORPORATION LIMITED

In May 1973 the Company made an offer for all the issued shares of Great Lakes Power Corporation Limited of Sault Ste. Marie, Ontario, through which it acquired 95% of the issued common shares for a cost of approximately Can. \$35 million. Great Lakes Power generates, transmits and distributes power in the Algoma area; this acquisition will increase the Company's dollar cash flow. Net income for the six months ended June 30 was Can. \$1.5 million compared with Can. \$1.3 million for 1972 (not included in consolidated income for the periods).

NATURAL RESOURCES

In May 1973 the Company, through Brascan Resources Limited, acquired by offer approximately 99% of the outstanding common shares of Western Minerals Ltd., an operating oil, gas and mineral company in Calgary, Alberta, at a cost of approximately Can. \$32 million. Western Minerals, besides exploration acreage, has revenues from oil, gas and coal.

The fourth instalment of Can. \$8 million was paid in January 1973 in respect of the purchase of the 15% interest in Elf Oil Exploration and Production Canada Ltd. The fifth and final payment is to be made in January 1974. A drilling program has commenced under the farm-out and joint partnership recently arranged by Elf with a group of U.S. gas companies and Panarctic Oils Ltd.

Brascan Resources is continuing its exploration program and has drilled 51 wells to date in 1973. Of this number, 13 wells were drilled in the Alberta shallow gas exploration program and provisional results indicate proven and probable reserves in excess of 54 Bcf.

Examination of various aspects of the feasibility study on the Sukunka coal project in British Columbia is continuing. Development mining is still being carried out with expenditures at a reduced rate.

FINANCING

The acquisition of the shares of Great Lakes Power and Western Minerals was effected through the utilization of medium-term bank loans. In August 1973 \$30 million of these loans were converted to longer-term borrowings repayable over 15 years.



J. H. Moore
President

September 5, 1973

**STATEMENT OF
CONSOLIDATED INCOME⁽¹⁾**

for the six months ended June 30

Expressed in thousands of United States dollars
(Unaudited)

	1973	1972
Electric utility—Brazil:		
Operating revenues	\$297,138	\$247,134
Operating revenue deductions:		
Purchased power	117,489	95,343
Fuel oil	1,984	891
Salaries, wages and other operating expenses	68,354	54,139
Depreciation	14,275	13,603
Reversion	18,646	16,878
	220,748	180,854
Operating income	76,390	66,280
Income deductions:		
Interest on long-term debt	3,352	1,486
Reversion interest	8,758	7,926
Interest charged to construction—credit	(5,063)	(3,682)
Income on short-term investments	(4,821)	(2,349)
Foreign exchange adjustments	(7,836)	(1,027)
Equity of minority shareholders	12,425	9,090
Income and withholding taxes	14,270	11,990
	21,085	23,434
Net electric utility income—Brazil	55,305	42,846
Investments and industrial operations:		
North America and other—		
Dividends and profits on sale of shares	2,117	1,624
Interest income	786	1,427
Net income (loss) of oil and gas operations	(293)	67
Net loss of financial services and trading operations	(815)	(80)
Foreign exchange adjustments	113	(15)
	1,908	3,023
Brazil—		
Interest under telephone sale agreement	1,942	2,041
Net income of investment subsidiaries	2,266	2,459
Net loss of industrial operations	(708)	(742)
Foreign exchange adjustments	3,638	1,322
	7,138	5,080
Net investment and industrial operations income	9,046	8,103
General corporate expenses	(1,491)	(1,240)
Interest on term credit	(774)	—
	(2,265)	(1,240)
Net income for period	\$ 62,086	\$ 49,709
Net income per ordinary share		
Before foreign exchange adjustments	\$ 1.99	\$ 1.85
Foreign exchange adjustments . . . . .	.46	.09
Net income for period	\$ 2.45	\$ 1.94

(1) See notes

**STATEMENT OF CONSOLIDATED
SOURCE AND APPLICATION OF FUNDS⁽¹⁾**

for the six months ended June 30

Expressed in thousands of United States dollars
(Unaudited)

	1973	1972
Funds provided		
Funds provided from operations:		
Net income for period	\$ 62,086	\$ 49,709
Add (deduct):		
Depreciation and depletion	14,947	14,182
Interest charged to construction—credit	(5,063)	(3,682)
Equity of minority shareholders	12,502	9,106
	84,472	69,315
Long-term borrowings excluding debt incurred to finance acquisition of subsidiaries	79	6,761
Sale of property, plant, and equipment	2,070	645
Current portion of sale price of telephone utilities	915	1,738
Increase in holdings of minority shareholders	636	528
Customers' contributions for line extensions	323	1,392
Decrease in working capital	35,243	1,340
	123,738	81,719
Funds used		
Net funds used on acquisition of subsidiaries (2)	32,123	
Expenditure on property, plant, and equipment	50,068	49,834
Increase in non-utility investments	11,430	3,085
Subsidiary dividends paid to minority shareholders	5,132	3,903
Loans and long-term financing contracts	3,304	6,465
Reduction in long-term debt	2,848	5,916
Deferred mine development expenditures	1,997	16
Increase in utility materials and supplies	1,266	2,364
Dividends—preference	2	4
—ordinary	12,780	11,625
Miscellaneous changes in various assets and liabilities	2,788	(1,493)
	\$123,738	\$ 81,719

(1) See notes

(2) Net funds used on acquisition of subsidiaries

Net non-fund assets of subsidiaries acquired

Less long-term portion of debt incurred to finance acquisitions

(34,000)

\$32,123